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THE UNIVERSITY OF ALBERTA

EXPORT MARKETING IN THE JAPANESE ENVIRONMENT

by

Erwin R. W. Lack (C)

A THESIS

SUBMITTED TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH

IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE

OF MASTERS OF BUSINESS ADMINISTRATION

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THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research, for acceptance, a thesis entitled "Export Marketing In The Japanese Environment," submitted by Ervin R. W. Lack in partial fulfilment of the requirements for the degree of Master of Business Administration.

M. James Dunn
Supervisor

Date April 15, 1976

ABSTRACT

The objectives of the study were to provide potential exporters with useful insights about the Japanese market and business environment. In addition, the purpose of the paper was to examine Canada's recent export relationship with Japan and the potential for future development.

The stated objectives and purpose were accomplished by examining the external and internal environmental factors of the Japanese market, as well as analyzing existing exports. As a future export market, Japan will continue to be one of our most important trading partners.

The study disclosed several important findings which included identifying the issues which will affect the pattern of our future trading relationship.

1. Canadian exporters must understand the Japanese value system and the complexities of marketing within this business environment.
2. Canadian manufactured products represent only 2.7% of our exports to Japan (1974). In order to improve this situation, Canada must develop new products and processes which will be competitive internationally. Investment in Research and Development will enable us to export more processed products and increase employment opportunities at home.

3. Japan and Canada will expand their mutually beneficial trading relationship in the future. Japan is investing in Canadian owned and controlled industries in order to develop a long term supply of agricultural and semi-processed industrial products. Canada will continue to import high technology, labour intensive manufactured products.

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The research for this thesis provided an opportunity to investigate areas of the Japanese export market in the kind of detail which greatly assisted in the basic understanding of this subject, beyond the normal day-to-day commercial transactions.

The writing of a thesis requires the assistance of numerous individuals. In particular, the writer would like to thank Mr. Dennis McGrath, International Trade Director with the Alberta Export A gency. He provided considerable insight into the marketing aspects of Japan, plus valuable references for background information. In addition, he introduced the writer to many Japanese trading company executives, as well as providing the opportunity of becoming involved in actual negotiations between Alberta and Japanese companies on potential joint ventures.

Mr. Y. Ozu of the Japan External Trade Organization(JETRO) in Edmonton, was most helpful in providing background material which made a major contribution to the statistical information in this thesis.

Last, but not least, to my wife Arlene and our two children,

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INTRODUCTION

The Problem

The problem for many Canadian exporters is the "perceived" difficulty of doing business in Japan where the value system and business environment is completely different.

In order to understand the total environment, we must analyze the external and internal environmental factors which affect marketing in Japan.

The Objectives

The primary objective of the thesis is to provide useful insights into the Japanese market and business environment.

The secondary objective of the thesis is to examine Canada's recent export relationship and the future potential of Japan as an export market.

The Reasons

Japan represents one of the most challenging and financially rewarding export markets for Canadian companies. Unfortunately, many businessmen have been reluctant to explore these export oppportunities. The failure to develop this market more aggressively is attributable to several factors:

1) The Japanese export market operates within a completely different social and cultural environment.

2) The Japanese business environment is unfamiliar to most Canadian businessmen.

3) The United States export market has provided considerable export opportunities which are readily accessible.

The Canadian businessman who has difficulty in understanding this market cannot plead ignorance; a myriad of books and articles have been written about this great trading nation, the second most important to Canada after the United States. The basic fault lies in the failure of exporters to do their homework. A basic understanding of this market must be learned as a very necessary first step to developing the market expertise which will ultimately lead to a successful business relationship.

In recent years, our export standing, as a percent of G.N.P., is first or second among the major exporting nations of the world. In terms of absolute dollars, we stand about sixth.

The United States has been Canada's major market to date, accounting for about two-thirds of our total exports. In 1971, when the Nixon administration announced the 10% surcharge on imports into the United States, no special consideration was given to Canada. This unilateral action by the U.S., forced Canada to examine her existing and future trading relationships. It was the turning point in reducing our dependence on one major export market. The alternatives are to develop more diversified export markets plus

expansion of exports with our existing trading partners. However, this poses some special problems for Canada.

Firstly, Canada has difficulty in meeting competitive international interest rates similar to those offered by the United States or European Economic Community, due to our high interest rate structure. We must therefore concentrate our marketing efforts in those countries which do not require extensive credit. Japan meets this consideration.

Secondly, there are many industries in Canada which are foreign owned. Export decisions are not necessarily made in the best long term interests of Canada. The Foreign Investment and Review Act, is designed to encourage greater Canadian ownership and control. In addition, federal and provincial governments are providing incentives for the development and expansion of Canadian controlled industries.

In 1974, Canadian exports to Japan totalled about $2.2 billion. For 1975, the final figure may not show an increase due to the effects of the worldwide recession which started with the "oil shock" of late 1973.

In the future, Japanese environmental and social issues will receive considerable attention. Growth rates of various sectors will not follow previous trends. The basic fact that Japan has few raw materials and cannot be self-sufficient in food production, will not change. She will continue to be one of the leading manufacturing nations in the future.

Canada represents a good market for Japanese manufactured products. The trading relationship will continue to be of mutual benefit to both nations.

Topics of the Paper

Topics of discussion will include: Review of Literature and Information Sources Regarding Exports to Japan, Data and Information, Analysis of Data and Conclusions.

CHAPTER 1

REVIEW OF LITERATURE AND INFORMATION SOURCES REGARDING EXPORTS TO JAPAN

Background Data

The main sources of information reviewed were through the Japan External Trade Organization (JETRO), Statistics Canada, and the Alberta Export Agency Library. Extensive interviews were held with Mr. Dennis McGrath of the Alberta Export Agency, who is International Trade Director for the Pacific Rim and South East Asia. Mr. McGrath has been associated with the Japanese export market for the last fifteen years.

In addition, the author has been fortunate in working with Japanese trading companies on specific trade opportunities and was involved in joint venture negotiations which included visits to Japan.

Trade journals such as "Mitsui Trade News", "Nissho-Iwai Monthly Review", and the "Japan Economic Journal", provided current information on the Japanese economic community activities, as well as "Focus Japan" and "Now in Japan", published by JETRO.

The Canada-Japan Trade Council and Statistics Canada provided valuable statistics on trade between Canada and Japan.

Recent Canadian Exports to Japan

In 1972, Canadian exports to Japan totalled 958 million dollars. This increased to a dramatic $2.219 billion by 1974.

The recent recession has reduced this growth rate so that 1975 exports may not be much different from 1974.[1]

The following table shows the most recent Statistics Canada export figures to Japan.[2]

YEAR	EXPORTS ($million)		
	April-June	July-Sept.	Jan.-Sept.
1974	628	527	1,722
1975	618	545	1,583

Although Jan.-Sept., 1975 exports are below the level for the same period in 1974, the July-Sept., 1975 figures indicate an increasing trend over the same period in 1974 as the Japanese economy recovers from the recent recession.

The Canada-Japan trade picture for 1955-75 is graphically demonstrated in Figure 1.

The Japanese export market has considerable growth potential for Canada since our exports in 1974 represent only 3.6% of total Japanese imports.

Table 1 summarizes the main Canadian exports to Japan and shows the effect of the recent recession on specific commodities.

a) Agricultural Products

Wheat sales in 1975 have decreased from 1974 since Japan has been purchasing wheat on a spot basis. Japan has been reluctant

to sign long term contracts in the hope that world wheat prices will soften.

Barley sales in 1975, were substantially higher than 1974 due to higher prices and increased import quotas required to boost domestic meat production.

Rapeseed exports showed a gain in 1975 since Canada is one of Japan's major suppliers. In order to ensure long term supplies of rapeseed oil, Japanese trading companies are investing in Canadian rapeseed plants. In December, 1975, Nissho-Iwai announced the purchase of 7% of the stock of Canbra Foods Limited in Lethbridge, Alberta.[4] The Mitsubishi Corporation and C. Itoh & Co., have formed joint ventures with Canadian companies in two new rapeseed crushing facilities in Alberta.

Meat exports, primarily consisting of pork, have increased in 1975.[5] This situation was a direct result of the high price of pork in 1975 which encouraged the Japanese Ministry of Agriculture and Forestry to relax import duties in order to increase supply. The high price of pork was due to production cutbacks caused by high feed prices which had started escalating in 1973. A direct benefit to Canada was the $42 million pork contract between Nissho-Iwai and Alberta packing plants.

b) Energy

Sales of metallurgical coal increased substantially due to increased prices. In April, 1975, Kaiser Coal Co. signed a new

contract, at a price of $48.57 per long ton F.O.B., as compared to the original contract price of $27.14 per long ton.

Canada is Japan's principal source of uranium. However, reliable export statistcis are not available since uranium enrichment plants are located in the U.S.. A new enrichment plant will be built in Quebec during the 1980's.

c) Minerals

Copper has been Canada's major export to Japan. In late 1973, there appeared to be a short supply situation in the world which triggered a build-up of inventory. The shortage never materialized, but Japan decided to enforce an export ban in late 1974 to ensure shortages did not develop. As a result, Canadian exports in 1975 were reduced to less than half of the 1974 level.

To ensure long term copper supplies and aid Canada to increase the "value-added" portion of her exports, Japan will be joint venturing with Canadian companies in smelter facilities.

Exports in aluminum, nickel, and lead have decreased as a result of the recent recession. Due to the high electric power requirements in producing aluminum, Japan's Nippon Co. and Alcan have formed a joint venture facility in Quebec which will export 45,000 tons of aluminum ingots per year to Japan.

Iron ore exports have steadily increased, reflecting

Japan's concern for maintaining existing suppliers of raw material for one of her largest basic industries.

Zinc is another metal which has also increased in exports due to its importance in the basic industry structure of Japan.

d) Forest Products

Lumber exports to Japan in 1975 have only decreased by about 12% as compared to 1974, due to the depressed housing market. Additional financing for housing announced in late 1975, will be of direct benefit to Canada in 1976.

Wood pulp exports rose substantially in 1974 as a result of the world paper shortage, but eased off in 1975 as demand decreased. Since Japan has excess newsprint capacity, the short term recovery will be for wood pulp versus newsprint.

e) Manufactured Products

In 1974, only 2.7% of Canada's exports to Japan were in the form of manufactured products. The major export items were woodworking and general purpose machinery amd equipment, aircraft, telecommunication equipment, office machines, hand tools, clothing, recreation equipment, personal and household goods, plus medical and pharmaceutical products. By September 1975, the value of manufactured products exported was only $49.2 million.

CHAPTER II

DATA AND INFORMATION

The first part of a Canadian businessmans' homework assignment is to understand the external and internal environmental factors which must be considered when looking to Japan as an export market.

There are four main external environmental factors:

A. Physical-Geographical-Climatic

B. Political-Legal-Governmental

C. Demographic-Economic-Financial

D. Ethical-Sociological-Philosophical

The main internal environmental factors can be summarized into three categories:

A. Distribution-Retailing-Wholesaling

B. Promotion-Advertising

C. Marketing Research

Although it is important to investigate all the external and internal environmental factors, it would be impossible to provide a complete background on each aspect. From a practical point of view, each subject will be dealt with relative to its importance as it affects potential export opportunities in Japan.

External Environmental Factors

A. PHYSICAL-GEOGRAPHICAL-CLIMATIC

In physical size, Japan covers 142,726 square miles, or just over half the size of Alberta.[6] This is made up of four main islands (Plate 1), Hokkaido, Honshu, Shikoku, Kyushu, and 3000 smaller islands. These stretch between latitudes 31 and 46 degrees North. Forest covers 68% of the total area, cultivated land is 16%, grassland 1.5%, and residential land 3%. About 70% of the country is mountainous.

However, urban concentration is such that 50.2% of the population, 66% of the industrial output, and 55% of retail sales are in 13.5% of the total land area. This has the advantage of making the markets readily accessible with respect to promotion as well as distribution.

Although the government is attempting to encourage young people to the smaller cities, the increasing population growth of about 1.23% per year will offset any trends to decreased population in the existing urban centres.[7]

Tokyo is the main trade centre with a population of about 12 million. It is well ahead of the next largest city of Osaka, with about 3 million people.

The climate in Tokyo in terms of average monthly temperatures is 26°C in August and goes down to 4°C in January, with an average annual temperature of 15°C. Hokkaido to the north is colder, varying between 19°C and -10°C. Kyushu in the south is warmer, varying from 27°C to 6°C.[8]

There are 47 prefectures, similar to Canada's provinces, each with its own government. (Plate 11).

B. POLITICAL-LEGAL-GOVERNMENTAL

1. Government Structure

Since the government in Japan is an accepted partner in the control of trade and investment, a basic understanding of its fundamental structure is important. Figure 2 outlines the structure of the government which is based on the democratic system.[9]

a) Emperor

The Emperor has no government power and acts primarily in matters of State designated by the Diet and Cabinet. In many ways his status is similar to that of the Queen of England.

b) Diet

The Diet is made up of two Houses. The House of Representatives and the House of Councillors, which are the law making bodies of the government.

The House of Representatives has 491 members, and they are elected by the people for a term of four years, similar to our Members of Parliament. They represent 124 constituencies.

The House of Councillors is made up of 252 members who are also elected by the people. One hundred come from national constituencies and 152 from 47 prefectural constituencies.

The term of office is six years. Half of the Councillors are elected every three years to maintain continuity. The system is based on universal suffrage.

Although both Houses have similar powers, the House of Representatives can take precedence. The Diet sits for a 150 day session per year, starting in mid December.

c) Cabinet

The Cabinet maintains executive power and consists of the Prime Minister and 20 Ministers of State who head the twelve Ministries plus Ministries without portfolio. Prime Minister Miki is the President of the ruling party. Presently, the Liberal Democratic Party (Conservative) is in power and holds 277 of the 491 seats in the House of Representatives. The Prime Minister and Ministers of State are all civilians.

d) Courts

The Supreme Court has complete judicial power. The judges are appointed by the Cabinet.

2. Ministries

Of the twelve Ministries, the following four are most important in influencing trade between Canada and Japan:

(a) Ministry of Foreign Affairs

(b) Ministry of Finance

(c) Ministry of Agriculture and Forestry

(d) Ministry of International Trade and Industry

Since the Japanese Government forms an integral part of all business and trade relationships, it is important to be cognizant of the new directives emanating from these Ministries. A brief

description of those major functions and objectives which affect trade with Canada are listed.

Publications like "The Japan Economic Journal", which is an international weekly, provide an excellent means of keeping up on current Japanese government policies. The Ministry of International Trade and Industry (MITI), provides information on their activities through MITI Information Office (MIO). They also publish about sixty news releases and reference books on their Ministrie's activities annually. Direct communication is provided by MIO through press conferences for foreign reporters, seminars for foreign diplomatic officials like Canada's Industry, Trade and Commerce representatives, Industrial tours, and meetings with Ministry staff members.

(a) Ministry of Foreign Affairs

Under this Ministry are the following bureaus which influence foreign trade:

i) American Affairs Bureau - First and Second North American Division.

The bureau does the planning work with regard to formulating and co-ordinating the implementation of foreign policy. This includes political affairs as well.

ii) Economic Affairs Bureau and Economic Cooperation Bureau.

Concerned with cooperating in international treaties of commerce and navigation plus other economic and commercial agreements. Collection of data on international economies.

b) Ministry of Finance

i) Customs and Tariff Bureau - Import Division.

Control of imported goods, supervision of bonded areas, investigation, planning, and drafting of agreements on customs and tariffs.

ii) Banking Bureau

Planning and formulation of policies, plus supervision over the Bank of Japan and the Export-Import Bank of Japan.

iii) International Finance Bureau.

Responsible for research and planning of international finance, control of foreign exchange transactions, overseas private investment, adjustment of balance of payments and management of Foreign Exchange Fund.

c) Ministry of Agriculture and Forestry

Economic Affairs Bureau

Responsible for planning of finance system for agriculture, forestry, fishing, animal industry, tariffs, and international agreements.

d) Ministry of International Trade and Industry (MITI)

i) International Trade Policy Bureau - America Oceania Division.

Responsible for drafting, implementing, and co-ordinating trade policies, trade agreements, trade statistics, trade tariffs, and international trade cooperation.

ii) International Trade Administration Bureau - Import Division, the Agricultural and Marine Products Division, the Foreign Exchange and Trade Finance Division.

Responsible for promotion, improvement, and adjustment of exports and imports, guidance and supervision of organizations involved in trade and trade promotion.

iii) Basic Industries Bureau.

Concerned with promotion, improvement, and co-ordination of exports and imports of iron and steel, chemicals, fertilizers, and alcohol.

iv) Machinery and Information Industries Bureau - International Trade Division.

Responsible for promotion, improvement, and co-ordination of exports and imports regarding machinery, automobiles, aircraft, cast and wrought products.

v) Agency of Natural Resources and Energy - Coal Mining Department.

Responsible for promotion, improvement and co-ordination of exports and imports of coal, lignite, and their products.

MITI is one of the most influential ministries affecting trade with Canada. MITI's objectives are clearly defined by the Ministry of International Trade and Industry Establishment Law (Law No. 275 of 1952) which outlines the following seven objectives:

1. Stabilizing prices and improving consumer life - setting the foundation for affluent living.
2. Securing a stable supply of resources and energy - nurturing the basis for the security of the nation's economy.

3. The attainment of health and safety and the improvement of pollution prevention measures - aiming at the creation of an environment where the priority is on man.

4. The further promotion of small and medium enterprise administration - advancing toward sophistication and diversification.

5. The realization of the industrial structure vision suited to the needs of people and the adjustment of industrial activities - in the search of harmony between industry and society.

6. The promotion of technological and systems development for the realization of a welfare society - developing technologies for tomorrow.

7. The active promotion of overseas economic policies - reinforcing the bridge to the international community.[10]

The Japanese government has bureaus to cover every facet of Japanese economic activity and is responsible for controlling the entire country with the complete blessing and understanding of the Japanese people.

Even the most powerful economic group in Japan, the Japanese trading companies, accept the notion that overall planning of the economy is the responsibility of the government. This allows them to devote their energies to production and trading and hope that the government is right most of the time.

As of March, 1975, there were about 1.99 million full-time personnel in the National Government of Japan. This represents about 2% of the total population, or about 3.7% of the total labour force.[11]

C. DEMOGRAPHIC-ECONOMIC-FINANCIAL

1. Demographic

In October, 1975, the census showed the Japanese population at about 111 million. Age distribution is shown in Table 2, which indicates that about 58% of the population is 35 years old or younger. Japan has been showing a gradual slowing in rate of population growth. This, together with longer life expectancy, as shown in Table 3, will gradually increase the relative level of the aged population as shown in Figure 3. Exporters of the future must consider the implication of this segment of the population who will have substantial income and leisure. In the meantime, the existing relatively young population have developed an expectation of high consumption due to increasing disposable incomes. They are interested in new products and are not conservative in their attitude towards buying imported products.

Japan's labour force in 1974 was 52.74 million or 63.5% of the population aged, 15 years or over.[12]

The following table shows the distribution of employed persons:[13]

Industry	Number (million)	Percent
Agriculture	6.7	12.9
Mining, Mfg., and Construction	18.9	36.3
Service Industries	26.3	50.5

Wage levels rose 10% per year in line with economic growth until 1973 when a 22.2% increase was recorded.[14] Like other nations in 1974, wage increases were substantial at 32.9% due to inflation.

There are a total of 65,400 unions in Japan, with a membership of 12 million or 33% of employees.[15] The basic labour union unit represents the employees of an individual enterprise. All members are represented by the same union instead of fragmentation as in Canada where each labour group belongs to a different union.

The consumer price index moved up 24.5% in 1974, well above the 3-7%/yr. increase of the 1960's and early 1970's.[16] Wholesale prices increased 31.3% in 1974 compared to 1973 at 15.9% and 2.2%/yr. in prior years of the early 1970's and late 1960's.[17]

2. Economic

Since 1971, the Japanese have reduced tariffs and quotas on imports. This has resulted in substantial interest in the Japanese market because it is now accessible. In addition, the rapidly growing economy has increased per capita income to $2,760 in 1973, and ranks Japan about 20th in the world.[18]

Table 4 provides some interesting figures on Gross National Product (G.N.P.) and how this has been affected by the recent recession. The projected G.N.P. in 1980 is $957 billion when the population is expected to reach 116 million.

Incomes in current prices have increased at the rate of about 15% per year since 1960. The average size of a Japanese family is about 3.8 members. The population is relatively young with 58.3%

or about 63 million people 35 years of age or younger. The younger generation's tastes are reflected in apparel expenditures as shown in Figure 4.

Market trends must be studied for each product since the slow increase in population will gradually shift to higher ages and change consumption patterns. Leisure products could have considerable potential as shown in Figure 5.

Since 50% of the population, 66% of the industrial output and 55% of retail sales take place in only 13.5% of the land area, this market is relatively easy to reach in contrast to Canada. Transportation costs are not a major factor once the product reaches Japan.

Table 5 shows import and export figures with regard to Canada-Japan trade. Canada has benefited substantially in her trade relationship with Japan.

Although there is a future potential for many products in Japan, a few examples follow to provide an insight into the magnitude of this market. Unfortunately, many current statistics were not available to reflect the recent recessionary effects.

a) Foodstuffs

One of the great potential areas of imports is in foodstuffs which is indicated by the chart in Figure 6.

Self sufficiency rates of agricultural foodstuffs are gradually decreasing with increasing population as shown in Figure 7. This will require increased agricultural imports in the future.

With easing of the Japanese attitude to imports of processed materials, more opportunities will exist for exporting processed foodstuffs from Canada.

In 1972, Canada was third as the major exporter of foodstuffs to Japan as shown in Table 6.

These figures suggest considerable competition for Japan's food imports in the future. Our producers must increase their efficiency in order to remain competitive with other countries who have substantially lower labour costs.

b) Housing

The housing industry built about 1.9 million units in 1973, due to increased incomes and more loans becoming available through government loan organizations and commercial banks. In 1960, 3.3% of G.N.P. was invested in housing. By 1973, this had increased to 5.4%, which is one of the highest in the industrialized countries. Canadian lumber is being exported to Japan to meet the needs of this growing industry. At present, the export of Canadian pre-fabricated housing from Alberta is being evaluated. If these designs are accepted, the market would improve the "value added" portion of exports instead of shipping dimensional lumber.

The future growth in housing will create a demand for furniture and durables similar to the past as shown in Figure 8.

c) Pollution Engineering and Equipment

The Japanese G.N.P. per acre (1972) was $1.027 million compared to the U.S. at $90,000 per acre due to the high concentration of industrial activity.[19] This has created health hazards in the form of air and water pollution, resulting in costly medical services. The Japanese public no longer accept growth at any cost. Thus the government has set strict pollution standards which are starting to show some improvement in environmental quality.

As an example, in 1966, oxides of sulphur were at a level of 0.059 ppm, which was reduced to 0.032 ppm by 1972. Carbon monoxide was reduced from 5 ppm. in 1968, to 2.2 ppm. in 1972. However, oxides of nitrogen increased from 0.022 ppm. to .028 ppm. and hydrocarbons from 0.9 ppm. to 1.0 ppm. in the same period.[20]

In 1971, $8.69 billion was invested in pollution abatement which was increased to $11.4 billion for 1973.[21]

d) Raw Materials

Supply of coal and petroleum products shows continuing increases in imports as indicated in Table 7.

Table 8 shows pulp imports and exports.

Iron ore imports are shown in Table 9.

3. Financial

The banking system in Japan is not only unique, but it also consists of some of the largest institutions in the world. Of the two hundred largest banks in the world, twenty-four are Japanese. Of

the ten largest, three are Japanese.[22] Since Japan has a high personal savings ratio of up to 20% of disposable income, it provides business with a source of funds through the banks. This has resulted in indirect financing for the fast growing economy. As a result, Japanese corporations have a very low equity ratio (equity per total assets) as shown in Figure 9. By Canadian standards this would appear to be a vulnerable financial structure. This acceptance of risk meant that growth and expansion were necessary to meet the heavy financial burden.

After World War II, business risks were minimized by importing known technology, the availability of relatively low cost labour and the effect of inflation in paying past debt. The escalating price of land, which all businesses own in Japan, reduced the risk even more. Aggressive marketing programs, especially in the export area, had been successful in maintaining a healthy economy until the "oil shock" in late 1973.

(a) Private Sector Banks and Financial Institutions

About half of all the funds held by financial institutions in Japan are held by banks of which the city banks are most important. City banks and local banks are also called commercial banks, but are not like Canadian banks. A large proportion of loans are long term, while deposits are one year or longer. There are a total of 13 city banks, with branch offices throughout Japan. Local banks are limited to a small geographic radius. Tables 10A and 10B give a breakdown of loans and discounts.

City bank clients are mostly major corporations who also provide over 60% of the deposits. They are the bankers of big business with one half their loans exceeding $1.7 million.

There are sixty-three (63) local banks, who cater primarily to small and medium sized businesses. Over half their loans are to businesses with a capitalization of less than $170,000.

Long term credit banks principal source of funds is five-year interest bearing debentures and one-year discount debentures. At present, there are only three banks of this type in Japan to provide long term funds to business.

Trust banks primarily perform safekeeping and bookkeeping services. There are a total of eight, which provide long term loans to large businesses such as ocean transport, utility and key industries.

Mutual Loan and Savings Banks must loan over 80% of their funds to small or medium sized businesses with less than 300 employees or a capitalization of less than 1.4 million dollars. There are a total of seventy-two (72).

Credit Associations are similar to Canadian credit unions, since they are non-profit oriented of which there are 484. Most loans are to the service industries.

Life Insurance companies invest in common stocks to a level of 30% of total assets with the rest in long term loans. There are 21 life insurance companies.

The Foreign Exchange Bank Law of 1954, established the provision for foreign exchange banks whose prime purpose is to specialize in foreign exchange transactions and to finance foreign trade.[23] The Bank of Tokyo is the only bank licensed to-date under this law. Since opening its first branch office in London in 1952, it has expanded to 152 offices throughout the world. However, under the "Foreign Exchange and Foreign Trade Control Law", ordinary banking business can be expanded to include foreign exchange business. To-date, there are 27 Japanese banks who are authorized to conclude correspondent arrangements with foreign banks.

(b) Government Financial Institutions

Post savings through the post office as well as postal life insurance is used to finance government agencies like the Trust Fund Bureau, but over 50% is invested in private business.[24]

The Japan Development Bank provides government financing to key industries such as ocean transport, power, railway, and chemical industries. Financing of imports through the U.S. Export-Import Bank (Exim), can be guaranteed by this bank. The Trust Fund Bureau is a major fund source.[25]

The Exim Bank of Japan is primarily set up to finance exports, which accounts for about two-thirds of its funds. Loans are also made to foreign governments. Joint export financing with about 30% participation with city banks is also undertaken in the form of syndicate loans. Fund sourcing is the Trust Fund Bureau and Government General Account.

The Bank of Japan is the most powerful and influential control bank in the world. Its monetary policy controls banking in Japan similar to the Bank of Canada. However, the Bank of Japan also controls the allocation of financial resources, especially in the area of foreign investment. Its main objectives are to maintain currency value and provide necessary financing for developing the economy. After the war, it was the Bank of Japan that financed heavy industry, primarily for the purpose of increasing exports. This lead to world scale plants and high productivity at the cost of lagged productivity for industries producing consumer goods.

Foreign banks have increased sharply in recent years to a level of 43 as of March 31, 1974, but their impact is still relatively small. However, Canadian banks can be of considerable help to exporters since they understand the sophisticated financing techniques and have good contacts with Japanese banks.

Although there has been a strict control on capital in-flows which restrict the supply to foreign banks, this should be easing in the future. Japanese banks are establishing merchant banks in the main international financial centres of the world to finance Japanese foreign operations. This should lead to less restrictions on foreign banks in Japan.

4. Japanese Trading Companies

According to the statistics from the Japan Ministry of International Trade and Industry, there are about 8800 Japanese commercial or manufacturing firms engaged in trade.[26] The interesting

point is that about 5900 are classified as "trading companies". The top 10 trading companies handled two-thirds of all Japanese imports in 1973 and about half of Japan's exports.[27] All 5900 trading companies handled 81% of total Japanese imports.

These statistics clearly point to the advantages of using a Japanese trading company to handle Canadian exports to Japan.

There are three types of trading companies which can assist in exporting to Japan.

a) Type of Trading Companies

i) General Trading Company.

These include the largest 10 to 14 trading companies which not only import but develop overseas raw material sources, finance off-shore projects, organize processing-distribution-final sales channels, provide economics of scale in transportation and warehousing. These companies handle 7,000 to 10,000 different product lines.

ii) Specialized Trading Companies

These companies are much smaller in size and handle specialized lines of products. They handle import transactions requiring specialized knowledge and arrange distribution, sales and service networks.

iii) Maker or Retailer "Captive" Trading Companies

Restricted to marketing and sales for particular companies. Their main function is to handle a foreign product which is to be imported for the parent manufacturing company.

There are six main advantages to Canadian companies in using trading companies:

- Assist with logistical problems of shipping products to Japan. Costs are usually lower since the large trading company can exercise control over transportation, warehousing, and marketing on a large scale basis, thus reducing unit costs.
- Handle physical distribution and documentation through to their wide network of domestic distributors and retailers.
- Organize a complete distribution and sales network for new products at a lower cost since they are familiar with the Japanese system.
- Finance imports to Japan.
- If the product distribution can be expanded by reducing costs, possibly by manufacturing in Japan, they can arrange for a joint venture with another Japanese firm.
- Can arrange for a Japanese sales and service organization to handle products which require marketing and after-service if the company has no existing distribution or service network.

Table 11 indicates the top 10 trading companies and their sales volume, comparing 1970 with 1974.

d) Major Services of Trading Companies

i) Marketing

Their most important function is marketing imported products in Japan. Since there are 5900 trading companies, the competition

is very keen and marketing has developed into a very efficient system. The major companies handle large quantity items with smaller quantities being handled by specialized trading companies.

ii) Financial

The trading companies' success in the export-import business can be attributed to their high credibility with Japanese banks. The banks consider trading companies to represent the least amount of risk due to their diversity of product range. Trading companies have a record of being stable. A failure in any one area is adequately covered by successes in other areas. As a result, this pooling of risk brings stability to the company and the country. There are five main uses for their financial resources:

- Financing imports and exports
- Buying equity positions and providing loans to Japanese producers, distributors, and retailers to handle imported products.
- Financing firms in Japan who joint venture with Canadian firms.
- Financing raw material resources development in Canada in order to provide imports to Japan, e.g. Alberta metallurgical coal.
- Leasing of exported equipment to Japanese companies in order to promote sales of products handled.

iii) Organizing

Trading companies will organize shortened distribution

channels such as to retail outlets. This reduces the end price of the product to the Japanese consumer and thus assists to increase the volume of imported product. These services can include organization of the producers of a country into more concentrated units and thus develop an efficient production-distribution-retailer structure to increase sales. Foodstuffs are particularly conducive to this type of approach.

D. ETHICAL-SOCIOLOGICAL-PHILOSOPHICAL

Unless the ethical-sociological-philosophical environment is appreciated, understanding of the other three external factors is an academic exercise. The Japanese have printed limited information about this factor, but it is often difficult to tell other people about yourself and the Japanese are no exception. We must therefore rely on the experience gained from Canadian and U.S. businessmen who have proven their ability to cope with this important factor.

The Japanese way of management and thinking is still very traditional, even though many companies and businessmen have become "Westernized".

The first real challenge is communication. We must appreciate that the Japanese have had to shoulder the responsibility of learning English. They have accepted this as a necessary business skill and relieved us of learning Japanese. Although many Japanese speak English very fluently, they are burdened by traditional Japanese thought patterns and their outlook towards the non-Japanese world. Their thought patterns are governed by their attitudes based on Japanese values. Herein lies one of the major differences.

North American business considers government as a hindrance to the business community and operates as independently of government as practicable. In Japan, government and industry work very closely together, with the government generally setting the rules with regard to imports. This is accepted and appears to work for the welfare of

the entire country, if economic prosperity in the past is a measure of success.

This relationship explains the Japanese concern with the rules and regulations of foreign governments. A businessman can save considerable time during negotiations by providing a clear understanding of the present and possible future effect of government regulations on the price and long term availability of a product, especially in the area of raw materials. Future government plans and controls, as in the area of environmental regulations, are very important to the Japanese as well as the attitude of federal and provincial governments to foreign investment and foreigners. Canada's Foreign Investment and Review Agency Regulations were of extreme concern to the Japanese when they were first announced in 1974.

It is imperative for a Canadian businessman to use a go-between if he has not already done business in Japan. The go-between can be a bank manager in Japan, whom he can contact initially via a letter-of-introduction from the International Branch of a Canadian bank, a Japanese trading company officer, or a Japanese or Canadian government official. A Canadian without a proper introduction is a stranger and Japanese businessmen do not like to do business with strangers.

Name cards are important in both the business and social life of Japan. All cards should have the Japanese translation on the reverse side. The higher sounding the title on the card, the more impressive will be the reception and respect received. This is extremely

important during any form of negotiation.

Usually, introductions include more than one person. Always give a card to the senior man first. This is not difficult to determine since one will be introduced from the top man down in a standard pecking order.

It is also advisable to learn a few Japanese phrases before going to Japan. It indicates a desire to learn and understand the Japanese and will flatter and please them. A tremendous amount of trust can be generated during the first meeting which will reap great future rewards.

Some of the most important expressions are: (The capitalized letters indicate accent and inflection).[28]

ha-Ji-meh-shi-teh	I'm pleased to meet you (for the first time)
goh-MEN-Ku-dah-sai	Excuse me
oh-HAH-yoh	Good morning
KOHN-ni-chi-wah	Good afternoon
KOHN-bahn-wah	Good evening
ah-ri-gah-TOH	Thank you very much

Although all Japanese study English in school and thus have some knowledge of our language, the oral usage of each Japanese depends on his past contacts with non-Japanese. It is important to talk slowly and use good English so that they will all understand you.

When dealing with the Japanese, one must not be impatient regarding a decision on a business proposal. If one is in a big hurry, he shouldn't deal in Japan. If they are pushed for a decision, one may have to settle for a very polite "no", although the word itself will not be used.

A Canadian company may pride itself on being able to commit to a business decision in a short period of time. However, even in Canada, the size of the company and the complexity of the proposal can require considerable study before a commitment is made.

In Japan, most companies are large, with a complex organizational structure. They are run by concensus management based on the ringi-sho or document system.[29]

A business proposal is first prepared by the department with which negotiations are initiated. The proposal is circulated to other departments and necessary comments or changes are solicited. As it works its way to the top for approval, the proposal is seen by everyone in the company and they have an opportunity to make suggestions. As objections are recorded, attempts are made to reach a compromise. If too many objections remain, the proposal dies a slow death. This procedure can take many months.

If the contract is signed, then everything moves very quickly because everyone has had an input into the proposal and is then anxious to fulfill their commitment. The interesting thing about this process is the fact that the total time between initial negotiations and the time the product or service is delivered, may be no longer and sometimes less than a similar Canadian business contract. There will be few complications from the Japanese side during the life of the contract. Although the Canadian may be quick to sign the contract, in many cases he has considerable homework to do following the signing, which the Japanese have already completed. The Canadian may have

difficulty in educating and winning over his company management members in Canada regarding the final negotiated contract. He must then resolve problems like transportation, production schedules, and raw material inventory purchases and shipments. During the resolution of these problems, there may be some management members who provide only minimum cooperation since they are not sold on the terms of the contract and did not have any input into the initial negotiations as is the case with the Japanese.

One of the reasons for the required Japanese input from all management members is that their view of the basic purpose of business is different from our main motive of profit. The Japanese company is responsible for the welfare of its employees. They negotiate on the basis that the contract will increase long term sales although they fully appreciate the necessity of profits. Their emphasis is different. A Canadian should therefore stress sales growth, how the contract will improve job security and improve the prestige of the company.

During negotiations, it is extremely important as to what is said or suggested. This can be more important than the final written contract. In effect, the Japanese have learned that all future situations brought about by changes in business conditions cannot be forecast accurately and written in black and white. This type of subtle and highly personal negotiating is extremely difficult for a Canadian on a first-time basis. Japanese are very quick to recognize hidden feelings. Our business dealings are becoming more direct and

impersonal. However, since Canada is a young country and our history is not very far removed from the pioneer era, we may have an edge in this area over our American counterparts. Many of the forefathers within our memory, made business deals over a handshake based on trust, which is not dissimilar from the Japanese way.

The result of patience and understanding and tough negotiating can find big rewards in this affluent export market.

As in any society, if you understand the system, there are short-cuts which can speed up the negotiating process. As an example, an Alberta controlled company (minimum of 51% Alberta ownership) can request the assistance of an International Trade Director from the Alberta Export Agency for doing business in Japan. Mr. Dennis McGrath, a Canadian who previously was associated with Japanese trading companies for many years, brings two important advantages to the negotiating table:

1. He is well known and respected by the major Japanese, trading companies.
2. The Alberta Export Agency is part of the Alberta Government and Japanese encourage foreign government representation during negotiations.

To the Japanese, the presence of the Alberta Export Agency during negotiations suggests the full co-operation of the Alberta Government. Mr. McGrath advises Japanese companies regarding any Alberta or Canadian government regulations or programs which might assist or restrict a potential contract or joint venture agreement.

Initial negotiations can be carried out at a high management level such as between the president of an Alberta company and the Board of Directors of the Japanese company. Subsequent negotiations can progress very quickly since the terms of reference are pre-established and only the details need to be worked out at the lower levels of both organizations.

Other Canadian provinces have similar organizations to the Alberta Export Agency and can be very helpful when investigating or negotiating in the Japanese export market.

Internal Environmental Factors

A. DISTRIBUTION-RETAILING-WHOLESALING

1. Distribution

The relatively complex distribution system in Japan is not of direct concern to processed food exporters, since most products usually enter through a trading company near the end of the chain of distribution.[30] If raw materials are being exported, the product enters at the beginning of the distribution channel and the exporter need not be concerned about the subsequent complexity. Complexity results from the large number of processors, distributors, and retail outlets. These are combined with varying degrees of concentration rapidity, depending on the product and level of distribution. There are four main ways to distribute a product in Japan:

i) Utilize existing distribution channels of trading companies or major wholesalers.

ii) Form a group of companies and sell under a trade mark, thus sharing in the cost of promotion on a unit export basis.

iii) Use the distribution channel of a non-competitive Japanese producer.

iv) Use the institutional route to gain access to a concentrated marketing outlet, since there are a small number of large end users.

For most Canadian companies, going it alone, by setting up a completely new distribution system, is extremely risky, especially if the company has no long term experience in Japan.

The minimum distribution information required by a potential product exporter after visiting Japan, can be summarized into three areas.

- Does the product meet the specifications of the Japanese market? This is not only with regard to individual Japanese acceptance which may require a market research program, but qualification with respect to Japanese government regulations, health and safety standards, labelling, and packaging, required for the export product.
- Determine which wholesalers have the best access capability through retailers and what methods are used by producers to motivate wholesalers in promoting a product.
- Determine the proportion of product which is sold through small neighborhood stores, supermarkets, or department stores and the quantities sold through each.

The complexity of this distribution system has been influenced by the concentration of Japanese investment in manufacturing which has made major endeavors in technology and efficiency. Productivity and concentration in distribution has been very slow in relative terms.

Although the supermarket concept is gaining acceptance, the majority of final distribution is through small retail outlets which have specialized in particular products and have clustered together, thus necessitating individual product shopping. This is especially true of food stores, where only recently the supermarket concept

became growth oriented, but is not expected to capture as large a share of the market as in Canada.

The complication of the Japanese distribution system is in dealing with a large number of retailers and wholesalers. On the one hand, the smaller the exporter, the longer the length of the distribution channel. This results in lower profit margins and a smaller share of the potential market, since growth will be difficult. On the other hand, when the exporters are limited to a few large firms, such as in the metallurgical coal industry, sales are made on a direct basis.

Foreign firms who have been successful in marketing in Japan, where distribution was an important factor, have two main characteristics. They have made a commitment to be recognized as a long term reliable source of supply and have tied up with Japanese trading companies who may control large wholesalers.

Channels of distribution for many products are highly fragmented where the chain may consist of three wholesale intermediaries. Figure 10 for food distribution vividly demonstrates this fragmentation and shows that 47.4% of wholesale purchases are from other wholesalers. This is due to the concept of primary, secondary, and tertiary wholesalers.

As mentioned, Japan has had to allocate its past investment in manufacturing industries while distribution was not developed. The Japanese recognize the cost to their economy and are now addressing themselves to the problem of improving productivity in distribution

systems. The "oil shock" of late 1973 resulted in higher costs for raw materials while wages also increased rapidly. These events necessitated taking a hard look at where major savings can be effected in order to reduce costs. Distribution is one of the main target areas.

However, these changes are going to vary in rate depending on the particular industry. The ultimate goal is to shorten distribution channels while still being cognizant of the social system which now exists. Although changes have been relatively slow for most distribution systems, the transformation has been initiated and will have a major effect on efficiency as it is accepted. The emergence of self-serve stores as labour costs escalate, is a good example. Since social changes are disruptive, self-serve stores have not grown as quickly as in Canada, due to Japanese attitudes.

Figure 11 shows that wholesale and retail trade account for 18.3% of the net domestic product. Figure 12 illustrates the distribution of size of retail and wholesale outlets which show there are over 900,000 one to two people retail stores and about 56,000 one to two people wholesale outlets.[31] The number of retail stores per 1000 population in Japan is about 19 compared to Canada at 7, and 2.9 for wholesales compared to Canada at about 1.4.[32]

2. Wholesaling

The concentration of wholesaling to increase productivity is progressing at a faster rate than in the retail area. This has been caused by the following five major factors:

i) Manufacturing has been concentrated by mergers and larger plants as well as focusing on the development of a better wholesale distribution. This has been accomplished by investment into more efficient distribution systems in the form of buildings and bulk handling facilities.

ii) Wholesalers have merged together to be competitive with the manufacturers who have developed their own distribution systems.

iii) Mergers in turn have caused the larger wholesalers to set up the Japan Voluntary Chain Association, which is made up of small retailers.[33] This provides a stabilization effect for the wholesalers, since they now have a captive market.

iv) The general trading companies have been concentrating on combining their distribution channels for increased efficiency. They in turn have moved into production and retailing in order to protect their position as major importers. As a result, distribution lines have been shortened from the import of raw materials to retail distribution in areas like foodstuffs and textiles.

v) Self service stores, which include supermarkets, since they represent large chain stores, have the effect of merging wholesalers in order to provide lower prices. In some cases, the chain stores attempt to purchase directly from the manufacturers, thus having the effect of concentrating

wholesalers in order to provide competitive prices and better service.

These factors have had the effect of not only increasing productivity in wholesales, but efficiency has been concentrated in the larger wholesale operations where volume is a major factor. This point is shown in Figure 13, where sales per person for wholesales with 100 or more employees is twice that of the 50-99 size range. The fact that wholesaling productivity has been increasing more rapidly than for retailing is shown by retail sales for 100 or more employee sized outlets which are only about 37% greater than for 50-99 employee sized outlets.

3. Retailing

Traditionally, the role of the small retailer has been very dominant in Japan. This has had a much greater influence on the rate of concentration towards productivity than in wholesaling. The family owned and operated retail outlet is still a very dominant force in Japan. Economic pressures on the small retail outlets have not been as great as those we have encountered in Canada. Most small retailers own their stores and usually live above them, thus overhead costs have been reasonably stable. Many of the owners are generally older and have not changed their relative life styles or costs of living as rapidly as the younger generation. Since small retailers represent 9-10% of the total working population, there has been little political pressure, such as higher land taxes, to force efficiency by increasing the size of retail outlets.

When choosing a retail distribution system, the type of product being exported will determine the number, size, and type of retail outlets required to achieve anticipated sales volume. An exporter must therefore be cognizant of market trends before choosing a distribution system since miscalculated adjustments in the future could mean a temporary or permanent loss of export sales. For an inexperienced exporter, this complexity might best be handled by a trading company which knows the trends and can adjust distribution channels to meet changing market conditions.

4. Specialization

Another Japanese characteristic which is different from other countries is that the wholesalers and retailers are very specialized as compared to being highly diversified in Canada. As a result, there are large numbers of retail outlets at a major street intersection or commuter train stop. Most shopping is done at small outlets which are within 10-15 minutes walking distance from homes or apartments. These clusters serve the same function as shopping centres in Canada where we also have many small shops in addition to the larger department stores and supermarkets.

The patterns of shopping in Japan are traditional and are resistant to change thus strengthening the position of the small retailer. This pattern is further strengthened by the personal relationships between each retailer and his customers. Japanese dislike being non-entities in a large, efficient supermarket with its sterile atmosphere. For these reasons the rate of change in

productivity has been lower for the retail versus wholesale distribution system. This represents a high cost to the Japanese economy since there are about 1.4 million retail outlets in Japan.

5. Examples of Specific Distribution Systems

The foregoing has been a description of the general distribution system in Japan. However, there are significant variations in distribution patterns for different products. In order to illustrate this point, an example in foodstuffs will be used as a typical consumer item as well as plywood to represent an industrial product.

a) Foodstuffs - MEAT

Figure 14 illustrates the distribution of retail stores involved in the various types of food products, showing specialization and numbers. Figure 15 shows similar information on wholesales.

One of the most complex food distribution systems is the existing one for meat as shown in Figure 16, partly due to its perishability. This distribution system magnifies the advantages of using a Japanese trading company with the required distribution system. Although imported meat comes in relatively near the end of the distribution chain, it must be competitive with domestic production. Only a trading company can profitably distribute an imported meat product as part of its total marketing operation.

b) Industrial Product - PLYWOOD

Figure 17 illustrates the distribution chain for plywood, most of which originates from an imported log. Logs are purchased

from Canada by a major trading company for a group of plywood mills. These mills co-operate in terms of common raw material as well as warehousing facilities and use a common sales network. Imported plywood starts at the primary wholesale point. The primary wholesaler sells to large users or through an intermediary. There are secondary or tertiary wholesalers who sell to smaller users like furniture manufacturers, or small construction companies. The function of the trading company may not be restricted to importing raw logs but could include wholesale distribution. In 1970, trading companies handled 50% of the plywood mill production since they were also able to offer credit facilities. A similar distribution system operates for lumber.[34]

B. PROMOTION-ADVERTISING

1. Promotion

Promotion in Japan is highly dependent on studying the methods of motivating wholesalers, since they play a more important role in retailing especially in exporting consumer products. This is primarily due to the highly fragmented retail system which exists for many products.

In discussing promotion, there are two main and separate types in Japan. The first is "in-channel promotion" within the distribution system and the second is "consumer promotion" similar in many ways to Canada.[35]

It is imperative to understand the complex and all encompassing set of rebates and services used in Japan with wholesalers and retailers. The wrong system which is not competitive can be extremely costly and yet provide limited contribution towards increased sales.

Market intelligence is extremely vital in promotion. An exporter must provide the right level of incentives. In order to do this he must know what incentives are being offered by the competition. If the product is relatively new and will require considerable promotion by the wholesaler, the incentive must be there to cover the additional cost of skills and effort required to sell the product. If the product is well known or has a high demand factor due to limited supply, then the incentive need not be as great. In this case, little effort is required to sell the product and there may be competition among wholesalers to handle the export item.

Negotiations of this type are very difficult and require considerable knowledge of the Japanese marketing system. A company may negotiate in what they consider to be a tough and hard bargaining exercise. This may result in insufficient incentive for the wholesaler or retailer who will quickly lose interest in the product.

The objective is to provide incentives which result in a cost of marketing which is lower than if the exporter attempted to set up his own system.

There are considerable services which wholesalers provide to retailers such as purchasing goods on consignment. If turnover is too slow, the retailer can return the goods. The wholesaler may also finance accounts receivable. In either case, the wholesaler must be compensated for the risk factor. The importance of long term personal relationships between the wholesaler and retailer enhance the position of the wholesaler.

Table 12 illustrates the type of rebate levels used in Japan. The levels of margin for some food products are shown in Table 13.

Rebates do not come under any anti-trust regulations. However, maximum margin levels can be controlled. As an example, the posted price for retail appliances cannot be more than 15% above the discounted price.

In addition to margins, rebates and services like those provided to retailers, other promotional incentives such as trips to resort areas like Hawaii, and occasional gifts when sales are going well, are just as important. Reinforcement for good sales results is as

necessary as incentives for increasing sales in Japan.

Promotion in the food area can be very effective by using a solo food fair. An example of a successful Canadian promotion was the $42 million pork contract between the trading company of Nissho-Iwai and several Alberta packing plants announced in November, 1975. The contract was initiated by the Alberta Export Agency through a solo meat show in Tokyo in June, 1974, where Alberta packing plants displayed their meat products. Trading company officials, plus retailers and wholesalers were invited to sample Alberta meat products. This resulted in an initial two year pork contract to evaluate the market potential. During this period, detail men from the Alberta Export Agency, the Alberta Hog Marketing Producers Board, hog producers and processors, visited Japan. Wholesalers and retailers were interviewed and evaluations were completed as to market acceptability and required changes. Subsequent negotiations resulted in a three year contract for 408,000 hogs, which includes only specific cuts, for a total contract value of $42 million. During the eighteen months prior to signing the latest contract, Alberta hog producers and processors were able to demonstrate that they were a reliable long term source of supply of pork. They could deliver on time with a reproducible quality of cuts to meet the Japanese consumers' specifications.

2. Detailing

An important aspect of any export marketing program is to ensure that the product meets the requirements of the market.

This is done by a regular survey of how the product is meeting the competition. Since consignment sales are very dominant, the volume of sales from the exporter may not indicate the existing situation since products may be returned to the wholesaler. This may ultimately be too late to correct the situation.

Determining the potential product returns based on preliminary sales, is extremely important since corrections or modifications are costly due to the long pipeline between the exporter and the retail outlet. The detailer also develops personal relationships with the exporter, wholesaler, and retailer. This results in meaningful feed-back information as quickly as possible in order to reduce potential losses.

Detailers also assist the retailer in merchandising the product by advising on promotional display cases and other display arrangements.

3. Consumer Promotion

Use of the advertising media in Japan is not too different from Canada, i.e., the primary purpose is to inform the consumer about available products and create a demand for their products. Table 14 gives a breakdown of the use of advertising media and a comparison with Canada.

Japan and Canada are similar in usage of newspaper advertising. The Japanese watch T.V. more and listen to radios less than Canadians. This accounts for nearly a 2.7 to 1 ratio of Japan to Canada in the use of T.V. advertising expenditures. The ratio of radio advertising

expenditure is about 2:1 for Canada versus Japan.

It is also interesting to note that Japanese expenditure on advertising media was $2.5 billion, as compared to Canada's $1.5 billion in 1972, which is less than twice as much as Canada for a population five times greater.

Figure 18 shows the four major media and how they are used by various industries.

The use of advertising agencies in Japan is basically limited to selling space or time to companies. Instead of contracting design and planning of a complete marketing program to an advertising agency, as is done in Canada, each company co-ordinates its own overall program. The concept of loyalty in Japanese culture makes it difficult for companies to accept the idea that an advertising agency can handle marketing plans for competing companies. As a result, foreign advertising agencies have had limited success in selling their expertise in Japan and their business has been confined to foreign companies. In addition, Japanese advertising agencies provide credit for purchasing media time and space which requires considerable financial backing. Since most Japanese companies have a high debit/asset ratio, they look upon advertising financing as part of their normal business operations. The concept has developed huge Japanese advertising agencies to the point where Japan's largest ranks third in the world in total revenue from advertising fees.

The Fair Trade Commission (FTC), regulates sales promotion premium value. The limitations on prize value is shown in Table 15.

which cannot exceed 2% of total sales. In addition, there are also regulations with regard to types and content of product label wording. No product advertising claims are allowed for which a company cannot provide data to substantiate the ad.

Several industrial organizations have developed testing standards which can help to promote an imported product. These are marks of quality and assist the consumer in comparing and substituting products. Some standards are compulsory but exporters are also wise to fully utilize the market promotion value of voluntary standards and their associated marks of quality.

C. MARKETING RESEARCH

After studying the various internal and external environmental factors, the Canadian exporter will have a basic understanding of the potential export market in Japan. However, he must then zero in on his particular product or service which brings him to the stage of considering a professional market study. After defining his terms of reference, he is on his way to initiating one of the most worthwhile aids to assist him in his marketing program for Japan. By asking the right questions, an exporter can establish a treasure house of facts and figures in order to plan and develop a marketing strategy and make intelligent management decisions. Unfortunately, as obvious as this is to most companies in Canada, many do not follow this approach in Japan. This is part of the reason companies fail in this market. They end up hiding behind the bamboo curtain of mystery, not knowing what went wrong. Market research in Japan is even more essential than in Canada. It minimizes investment risk by reducing the number of unknowns. This comes down to the simple fact that there are a greater number of unknowns for a Canadian businessman, since Japan is a unique market with its own customs, history, cultural traits, institutions, and Japanese attitudes. Some of the facts and figures required for exporting products include the following:

a) Will the product meet the Japanese specifications?

b) What is the best way to promote the product?

c) How does the product compare in price and quality to competitive products, both domestic and other foreign imports?

d) What is the best distribution system?

e) What financing is available which affects payment, credit, and delivery?

f) What are the safety and health standards which must be met?

g) What are the import regulations?

h) What warranties and after-service practices prevail?

i) What are the labelling and packaging requirements?

j) Are there government regulations or controls, existing or anticipated, which will affect product sales?

k) What are the fair trade and pricing laws?

l) What are the tax laws for repatriation?

m) What is the availability and cost of labour and personnel requirements?

n) What is the best way to enter the market and acquire a market share?

(i) appoint an import agent such as a trading company?

(ii) license a domestic producer?

(iii) establish a branch plant?

(iv) establish a joint venture operation in Japan or Canada?

(v) acquire an existing Japanese company?

The first important part of the market research study is to choose a Japanese research firm. A good place to start is with the Chamber of Commerce and the Canadian Embassy in Tokyo plus the Japan Market Association.[36] They are familiar with firms who have completed market research studies for Canadian companies and have sufficient

feed-back to suggest competent firms. Interviewing a good number of companies will soon result in zeroing in on one that can meet your objectives.

Having chosen a research firm, it is then important that both sides understand their respective responsibilities. In order to maximize the benefits of the study, key personnel in the Canadian company, including manufacturing, accounting and personnel managers, in addition to the marketing manager and President, should work closely with the Japanese research company. This provides for a constant evaluation of the program and reduces lost time and effort in producing the required information.

CHAPTER III

ANALYSIS OF DATA

The economic growth rate of Japan has been one of the most spectacular of any country in the world until the "oil shock" of late 1973. This marked the beginning of a worldwide recession and Japan was no exception. In fact, the increased price of oil affected Japan more than any other developed country.

Since Japan has only limited natural resources, prime exports are manufactured products which accounted for 94% of total exports in 1973.[37] Processing requires energy and when the cost of oil started increasing, it affected every product Japan produced, both for the domestic market and for exports. When domestic prices go up because of higher energy costs, wages generally follow and this was true in Japan. Wages rose 32.9% in the spring of 1974.

In addition, raw material costs escalated, which represented 32.9% of all imports in 1973 as well as the price of imported foodstuffs which accounted for 16% of imports.

Since exports to the United States represented 26% of Japanese exports, the subsequent recession in the United States had a dramatic effect on the Japanese economy.

As a result of these worldwide events, the trends of the past can no longer be used to predict the future rate of expansion of the Japanese economic sectors. The rate of growth in almost every sector will now change as the Japanese government institutes new fiscal

and monetary policies to meet the economic realities. In addition, the attitudes of the Japanese toward growth for growth's sake have also changed. A greater concern has been shown for the "quality of life", starting with cleaning up the environment.

The Japanese government and the Bank of Japan initiated restrictive fiscal and monetary policies in early 1973 when commodity prices showed abnormal increases in late 1972.

In 1972, the discount rate was 4.25%. By December, 1973, the official discount rate was increased to 9% while the reserve ratio was increased in addition to a reduction in public works programs. The price spiral had to be stopped.

The money supply had been rising in the third quarter of 1973 by 32% over the previous year. By the second quarter of 1974 this had subsided to 12% as compared to the second quarter of 1973.

The real economic growth rate was minus 1.4% in 1974, the first negative sign since World War II. By the spring of 1975, wage increases were reduced to 13.1%. While this is high, it is less than half of the 32.9% increase in 1974. The next target is to reduce the consumer price index to a rise of 9.9% by March, 1976, from the 13.9% recorded in 1975. In comparing the latest figures for December 1975 with December 1974, the consumer price index rose 8.6%, which suggests their target will be met.[38] The Bank of Japan's discount rate was reduced to 6.5% in October 1975, where it is now being held. As of December 1975, import prices have risen only 3% since December 1974, while export prices rose about 4.8% for the same period.

Trade volume for December 1974, was $5.9 billion and $5.4 billion for exports and imports respectively. They reached their lows at $3.7 billion and $4.5 billion during 1975 respectively, but by December 1975 were back to $5.9 billion and $5.4 billion respectively.

The Japanese recession appears to have bottomed out in late 1975 and inflation appears to be under control. The problem being faced now is unemployment which the fourth "Anti-recession package" announced in October 1975, should assist by the following measures:[39]

a) Fiscal

(i) $2.67 billion for public works and projects such as highways, two bullet trains, and improved utility systems in cities.

(ii) $320 million to the Japan Development Bank for pollution prevention, safety and resource conservation investments.

b) Monetary

Lowering of the official discount to 6.5%.

c) Small Business

$1.6 billion for small business loans through government financial institutions.

d) Government Financing

$190 million to the Export-Import Bank of Japan.

e) Labour Subsidies

Unspecified amount for unemployment insurance payments and subsidies for retraining programs.

This package should not only initiate the reduction of unemployment, which is just over 1,000,000, but increase disposable income available for increased purchasing of imports. This package clearly indicates the shift in government policy from anti-inflation to stimulation of business.

The future of Japan as an export market will depend on her success in the export market and her ability to balance the economy domestically. However, success in the past is a reasonable indicator that Japan will fare as well as any country in meeting the new challenges.

Foodstuffs will be of increasing importance as Japan's population increases, while relative agriculture production for self sufficiency decreases. In 1973, $6 billion of foodstuffs were imported.

Joint ventures in foreign countries for both food processing, to guarantee a long term supply position for Japan, as well as processing of raw materials to a semi-processed state, will be increased substantially.

The Middle East will receive considerable attention from Japan. It is an excellent export market for manufactured goods. Extensive Middle East manufacturing capability is a long way off. It is also an excellent market for exporting technology and hardware for huge projects such as de-salination of water and processing of oil and gas resources. In addition to a source of cash funds for exports, raw materials such as basic plastics will be available at competitive prices.

Imports of raw materials will be a continuing requirement, especially coal, iron, zinc, copper, aluminum, and nickel. Value of raw material imports in 1973 was $12.3 billion, which included animal and vegetable oils and fats.

Pollution prevention will be escalated and represents a fast growing market for export of technology and equipment from the developed countries, especially in industrial waste processing equipment.

Machinery and system technology for distribution systems have considerable potential as programs for increased productivity in wholesaling and retailing are initiated.

With more leisure time and money, sports equipment exports to Japan will increase rapidly following the pattern of Canada and the United States. From 1970-73, sports had the highest growth rate of all leisure activities at 24.1% per year, with leisure equipment growing at 17.9% in 1970, which was at a level of $19.6 billion.[40]

Energy imports will increase in value, but the mix will change with time to reduce dependency on petroleum. Uranium imports will increase to develop nuclear energy. Liquefied natural gas imports will also increase. More thermal coal will be imported. Solar energy technology could be a large import item as well as the hardware to install these systems.

Imports of manufactured goods was $11.6 billion in 1973, which will increase due to future labour shortages requiring labour efficient equipment and the desire of the Japanese consumer for more

imported finished products.

If the economic growth rate, in real terms, for fiscal 1976 achieves the predicted 5.1%, Japan will be well on its way as an expanding export market for Canada.

CHAPTER IV

CONCLUSIONS

A. Future Trade Implications for Canada

The importance of Canada as a source of agricultural products will have a leverage benefit on future trade relations with Japan. This will have the effect of providing Canada with the opportunity of processing more agricultural products in line with our long term policy of exporting "value-added" products.

Japanese computer studies have predicted a worldwide shortage of milk and meat by 1980, expanding into shortages of wheat, corn, rice, and soybeans by 1985.[41] This is in line with U.S. Secretary of Agriculture, Earl L. Butz's statement regarding agri-power and petro-power predicting that the former will be more important in the future. Agricultural products will therefore become critical to the survival of Japan and will no longer be traded solely on economic grounds. Access for Canadian manufactured goods to the Japanese market may be assisted by long term trade agreements on agricultural commodities.

One of the most sensitive barometers in measuring the power of food politics is wheat. Canada is and will continue to be a major world producer. The importance of wheat in the international trade area was demonstrated by Russia in recent activities. In the last five years, Russia imported 52.2 million metric tons of grain and grain products, primarily from Canada, U.S. and France, but exported 30.5 million metric tons during the same period to not only the

socialist community, but Great Britain, Netherlands, Austria, England and Chile. The Russians recognize the importance of maintaining exports of grain even during years of domestic shortage which has long term implications. They realize that food is a commodity which has potential political leverage. Thus Canada may be in the peculiar position of having a major impact in offsetting any adverse political pressures which certain countries may wish to exercise with trade of food commodities. This leverage provides a natural political and economic advantage to Canadian-Japanese trade relations now and in the future. We have developed a reputation of maintaining business relations that are fair to both sides.

Canada and Japan recognize that future trade is built on the solid foundation of understanding in the past which has facilitated the changing industrial and agricultural export policies of both countries for their mutual benefit.

We will continue to be a major source of raw materials for Japan, but growth in semi-processed and processed products, including industrial goods as well as agricultural commodities, will be developed. Japan sympathizes with Canada's desire for more processing in Canada in order to increase the "value-added" portion of exports to Japan. However, the competitive price factor will determine to what degree we can participate and at what growth rate.

Canada will have an advantage in the energy consuming industries like iron and steel, petrochemicals and aluminum. We are also in a position to develop a uranium enrichment industry.

As of March 31, 1973, Japan had direct foreign investments totalling about $10 billion. By 1985, this is predicted to reach about $93.5 billion. In 1973 alone, $3.5 billion were invested in 5,469 foreign operations.[42]

Canada is an ideal country for foreign investment due to our abundance of raw materials and energy plus a stable political climate. Canada's policy of increasing "value-added" exports can complement Japan's need for long term supplies of semi-processed and processed products by forming joint ventures in Canada.

B. Special Opportunities

Canada will continue to consider Japan as an export market for many of our raw materials as well as a potential market for semi-processed, processed and manufactured products. The latter area will be enhanced by Japanese-Canadian joint ventures.

The following items represent short term exports based on our competitive capability. Japan's projected industrial production and imports to 1985 are shown in Tables 16A and 16B.

1) One of our most important future export products is wheat, which accounted for $304.7 million in sales. (1974). This represents 73% of all grains exported or 13.7% of our total exports to Japan. To September 1975, wheat remained relatively stable at 11.6% of our exports to that date.

2) Barley exports nearly doubled from 1973 to 1975, as a result of Japan's desire to produce meat domestically plus the effect of higher grain prices. However, Japan will continue to encourage domestic meat production and thus provide a continuing market for feed barley.

3) Rapeseed is a strategic item to Japan and Canada will continue to be a long term supplier. As the Canadian-Japanese joint venture rapeseed crushing plants are completed, the export of rapeseed will be reduced in favor of rapeseed oil.

4) Pork exports were given a substantial boost by the recent signing of a three year $42 million pork contract. This is the beginning of future meat contracts as a result of the lowering of Japanese import duties in June , 1975. Future contracts will include beef exports from Canada as we develop a product which meets Japanese specifications.

5) Steel production levels in Japan in 1980 and 1985, are projected to be about 162 million tons and 175 million tons respectively. Imports will only be about 2 million and 8 million tons respectively, thus indicating a growing potential for metallurgical coal as well as iron ore.[43] This almost assures a continuation of the long term contracts now in place with Canada.

6) Chemical imports will increase to $3.17 billion in 1980 and $5.1 billion in 1985. (projected) Petrochemical imports, which were non-existent in 1970, are expected to increase to 150,000 tons in 1980 and 450,000 tons in 1985. This will provide a good potential for Alberta's petrochemical industry which should have exportable product by 1980.

7) Paper imports are projected at 400,000 tons by 1980, while pulp is expected to increase to 3 million tons. It is doubtful that the 1985 import figures of 470,000 tons of paper, and 4.4 million tons for pulp will be realized. More countries, like Canada, anticipate increasing "value-added" production and favor exports of paper instead of pulp.

8) Aluminum appears to be assured of a good export future with Japanese imports increasing to 600,000 tons by 1980 and dramatically increasing to 1.7 million tons by 1985. This is primarily due to the huge energy requirements of producing aluminum which favors Canada.

9) Canada has existing short term and long term contracts with Japan for uranium, which are scheduled for delivery until 1980. Total Japanese contracts with all countries is 95,000 tons, while demand is projected at 48,000 tons, providing for a good inventory position. By 1990, demand will be up to 170,000 tons and provides further

export potential for Canada.[44] After about 1985, this will be in the form of enriched uranium, since this product will be processed in Canada.

10) Copper is the major export to Japan at present, amounting to $499 million in 1974. Canada will continue to enjoy this export market as Japanese investment in British Columbia smelter facilities take the form of joint ventures in the near future. This will ensure a captive export market.

11) Lead, zinc, and nickel exports will continue to increase as Japan maintains her position as a major manufacturing nation.

12) In 1974, only 2.7% of Canada's exports to Japan were in the form of manufactured products. This fact will only be altered as Canada becomes more competitive internationally. Investment by foreign countries like Japan, in the form of financing and technology, will improve this situation.

Canadian government incentives for Research and Development funding, will assist Canadian owned and controlled industries to develop new products and processes.

Japan is cognizant of Canada's need and desire to increase "value-added" production in our exports. A number of joint venture projects have already been

initiated in coal, aluminum, rapeseed, and tar sands processing plants. Mineral and agricultural products processing plants offer considerable scope for future joint venture activity plus the development of high technology, capital intensive manufacturing industries, which are based on our raw materials and availability of energy.

TABLE 1

CANADIAN EXPORTS TO JAPAN
JANUARY TO SEPTEMBER

COMMODITY	EXPORTS ($ million)		
	1973	1974	1975
Wheat	110.0	242.5	183.9
Barley	49.9	58.9	93.4
Rapeseed	89.7	120.2	151.4
Meat	44.5	20.3	53.4
Coal	113.3	150.4	319.4
Copper in ores, conc.	299.2	424.4	166.1
Zinc in ores, conc.	37.1	50.8	63.1
Aluminum and alloys	30.5	39.8	27.0
Iron ore, conc.	20.2	24.2	35.2
Nickel ore, conc.	33.8	25.6	20.4
Lead ore, conc.	23.2	30.0	26.2
Lumber, soft & Hardwood	84.6	86.5	74.5
Wood pulp	68.0	143.2	122.0
Manufactured Products	21.5	45.5	49.2

Source: Statistics Canada "Domestic Exports by Country, Commodity Categiry and Province of Lading," Exports by Countries, January-September, 1975

TABLE 2

JAPANESE
POPULATION DISTRIBUTION BY AGE GROUP, 1974

AGE GROUP	POPULATION (Thousands)	% of TOTAL POPULATION
All ages	110,049	100.00
0 - 4	10,023	9.1
5 - 9	8,768	7.97
10 - 14	8,060	7.32
15 - 19	8,074	7.34
20 - 24	9,595	8.72
25 - 29	10,047	9.13
30 - 34	9,294	8.45
35 - 39	8,322	7.56
40 - 44	8,050	7.31
45 - 49	7,104	6.42
50 - 54	5.571	5.06
55 - 59	4,507	4.1
60 - 64	4,178	3.8
65 and over	8,454	7.67

Source: Bureau of Statistics, Office of the Prime Minister.

TABLE 3

VITAL STATISTICS FOR JAPAN

YEAR	EXPECTATION OF LIFE AT BIRTH	
	Male	Female
Av. 1933-37	46.92	49.63
1947-49	50.06	53.96
1950-54	59.57	62.97
1955-59	63.60	67.75
1960-64	65.32	70.19
1965	67.74	72.92
1969	69.18	74.67
1970	69.31	74.66
1971	70.17	75.58
1972	70.49	75.92
1973	70.70	76.02

Source: Ministry of Health and Welfare, 1974

TABLE 4

JAPANESE G.N.P. AND % RATE OF GROWTH

YEAR	G.N.P. for Japan $U.S. (Billion)	% Rate of Growth over previous year
1965	106.2	15.5
1970	239.3	17.7
1971	256.5	7.1
1972	293.8	14.5
1973	370.0	25.8
1974	380.0	2.7

Source: Bureau of Statistics, Office of the Prime Minister, 1974.

TABLE 5

CANADIAN EXPORTS AND IMPORTS
WITH JAPAN ($ Thousand)

YEAR	EXPORTS	IMPORTS	DIFFERENCE
1971	828,800	801,800	+ 27,000
1972	959,300	1,071,000	-112,300
1973	1,793,500	1,010,852	+782,648
1974	2,219,700	1,426,900	+792,800
1975 (Jan.-Sept.)	1,583,300	919,700	+663,600

Source: Statistics Canada

TABLE 6

JAPANESE FOODSTUFF IMPORTS

COUNTRY	TOTAL IMPORTS $ U.S. (Million)	RATE OF GROWTH OVER PREVIOUS YEAR (%)
U.S.A.	868.1	18.0
Australia	514.2	37.1
Canada	230.0	14.2
Taiwan	196.1	35.7
South Africa	178.0	101.5
Cuba	142.6	12.0
China	122.5	36.2
TOTAL	2251.5	23.6 (Average)

Source: Ministry of International Trade and Industry, White Paper on International Trade, 1973.

TABLE 7

JAPANESE SUPPLY OF COAL AND PETROLEUM

YEAR	COAL (Million tons)		CRUDE PETROLEUM (Million kl)		PETROLEUM PRODUCTS (Million kl)		
	Production	Imports	Production	Imports	Production	Imports	Exports
1955	42,423	2,562	.354	8,553	8,507	2,387	.084
1960	51,067	8,292	.593	31,116	30,310	3,244	2,889
1965	49,534	17,080	.751	83,280	81,798	12,925	9,533
1970	39,694	50,172	.899	195,825	189,014	23,751	9,696
1971	33,432	46,923	.879	221,043	209,871	22,020	13,023
1972	28,098	49,278	.833	238,334	220,207	21,866	13,831
1973	22,414	56,854	.817	286,670	260,245	19,648	19,383

Source: Ministry of International Trade and Industry.

TABLE 8

JAPANESE PULP IMPORTS

PULP (1000 tons)

YEAR	PRODUCTION			IMPORTS		Exports
	Total	Resolving	For Paper	Resolving	For Paper	
1960	3,532	378	3,153	135	3	21
1965	5,164	469	4,695	203	301	7
1970	8,801	554	8,247	186	728	12
1971	9,039	545	8,494	183	479	49
1972	9,458	514	8,944	221	585	47
1973	10,123	489	9,634	194	919	50

Source: Ministry of International Trade and Industry

TABLE 9

JAPANESE IRON ORE IMPORTS

(1000 tons)

YEAR	PRODUCTION	IMPORTS						
		Total	West Malaysia	Philip-ines	India	Austral-ia	U.S.	Canada
1960	1,290	15,036	5,354	1,215	4,501	100	825	1,084
1965	1,119	39,018	6,956	1,482	7,913	231	2,660	1,950
1969	955	83,247	5,352	1,614	13,633	23,235	3,153	2,044
1970	861	102,090	4,906	1,872	16,522	36,597	3,257	2,301
1971	830	116,609	894	2,334	16,795	46,287	1,955	2,685
1972	799	112,854	388	2,473	17,901	48,295	624	2,075
1973	729	136,283	242	2,312	19,763	64,239	528	3,357

Source: Ministry of International Trade and Industry

TABLE 10 A

BREAKDOWN OF OUTSTANDING LOANS AND DISCOUNTS BY INDUSTRY IN JAPAN
(As of December 31, 1973: In Billion $U.S.)

Industry	City Banks: Total	City Banks: Of which Small Businesses	Local Banks: Total	Local Banks: Of which Small Businesses
Manufacturing	48.06	15.12	24.23	13.8
Construction	8.22	2.91	4.49	3.05
Wholesale and Retail	37.98	11.47	20.07	10.96
Real Estate	7.24	4.34	4.56	3.33
Transport and Communication	4.25	1.01	1.98	.99
Electricity, Gas, Water, etc.	1.13	.02	.34	.04
Services	6.33	2.54	4.89	3.31
Local Government	.91	--	1.06	--
Total Including Others	128.75	47.54	70.27	43.23

Source: "Economic Statistics Monthly," The Bank of Japan.

TABLE 10 B

BREAKDOWN OF OUTSTANDING LOANS AND DISCOUNTS BY INDUSTRY IN JAPAN
(As of December 31, 1973: In Billion $U.S.)

	Trust Account of all Banks		Long Term Credit Banks	
Industry	Total	Of which Small Businesses	Total	Of which Small Businesses
Manufacturing	13.57	.74	13.69	1.43
Construction	1.56	.20	1.07	.24
Wholesale and Retail	2.64	.31	3.37	.58
Real Estate	4.96	1.65	3.48	1.29
Transport and Communication	3.15	.26	2.58	.38
Electricity Gas, Water, etc.	1.56	--	1.73	--
Services	.93	.17	1.76	.57
Local Government	.02	--	.05	--
Total Including Others	31.34	5.63	29.45	5.24

Source: "Economic Statistics Monthly," The Bank of Japan.

TABLE 11

SALES AND GROWTH OF JAPANESE TRADING COMPANIES

Company	Sales in Billion $U.S.		5 Yr. Average Annual Growth Rate%	
	1970	1974	Revenue	Profit
1. Mitsubishi Corporation	11.3	31.4	23.7	15.7
2. Mitsui & Co. Ltd.	10.4	28.8	22.7	18.5
3. Marubeni Corporation	7.5	18.5	20.7	25.7
4. C. Itoh & Co. Ltd.	7.1	17.5	20.5	3.0
5. Nissho-Iwai Co. Ltd.	5.2	13.4	27	24.3
6. Sumitomo Shoji Kaisha Ltd.	4.7	17	31.2	21.9
7. Toyo Menka Kaisha Ltd.	3.8	8.1	15.5	3.2
8. Nichimen Co. Ltd.	2.6	6.7	21.5	24.1
9. Kanematsu Gosho Ltd.	2.4	7.7	26.5	27.3
10. Ataka & Co. Ltd.	2.3	7	26	13.4

Source: The President Directory, Diamond-Time Co., Ltd. (1976)

TABLE 12

TYPES OF REBATES
IN JAPAN

(Unit: % Receiving)

TYPE OF REBATE	STRAIGHT PERCENTAGE	PROGRESSIVE REBATE	REBATE FOR CASH SALE	REBATE FOR HANDLING NEW PRODUCT
OVERALL	95.9	22.4	12.2	20.4
FIRST WHOLESALER	100.0	56.4	18.8	43.8
SECOND WHOLESALER	80.8	3.8	11.5	7.7

Source: MITI 1970 (Sample from a Survey of Distributors of Instant Coffee).

TABLE 13

MARGINS IN DISTRIBUTION CHANNELS
IN JAPAN

(Retail price=100)

	Producers Price	First Wholesaler	Second Wholesaler	Retail Price
MILK	78	78 - 82	82 - 90	100
INSTANT SOUP	76	77	80	100
CHOCOLATE	76	78	81	100
SAUSAGE	78	81	86	100
BEER	89	92	-----	100

Source: Cold Chain Association, Food Distribution, (Cold Chain Kyokai, Shokuhin no Ryutsu), 1970.

TABLE 14

COMPARISON OF JAPANESE AND CANADIAN
ADVERTISING MEDIA USAGE

MEDIA	JAPAN	CANADA
	%	%
Newspapers	34.3	36.0
Television	32.3	11.9
Outdoor and Other	16.2	9.4
Radio	5.5	10.8
Magazines	4.9	11.2
Direct Mail	4.4	21.3

Source: Dentsu Advertising Ltd. and Marketing In The Canadian Environment, 1973.

TABLE 15

LIMITATIONS ON PRIZES

IN JAPAN

Price of Item ($ U.S.)	Maximum Value of Prize ($ U.S.)	Limitation on Total Value of all prizes
Less than $1.67 U.S.	20 Times the Price	2% of Total Sales
$1.67 or more, but Less than $166.67	$33.33	
$166.67 or more, but Less than $333.33	$100.00	
$333.33 or more	$166.67	

Source: Fair Trade Commission.

TABLE 16 A

JAPAN'S INDUSTRIAL STRUCTURE IN 1985 SUPPLY-DEMAND OF MAJOR INDUSTRIES

INDUSTRY	UNIT	DOMESTIC DEMAND '70	'80	'85	OUTPUT '70	'80	'85
(1) Steel	million t	68.0	118.1	159.8	92.4	162.0	173.0-178
(2) Chemicals	$U.S. billion	26.99	34.57	46.33	17.3	35.83	49.57
Petrochemical	in ethylene equiv.	3,100	5,638	7,724	3,850	6,048	7,424
	1,000 t						
(3) Paper-Pulp	Paper: 1,000 t	12,565	23,900	32,800	12,973	24,200	32,130
	Pulp: 1,000 t	9,703	15,930	20,420	8,801	12,980	16,070
(4) Aluminum Ingots	1,000 t	918	2,400	3,500	781	1,800	1,800
(5) Textiles	1,000 t	1,444	2,050	2,373	2,158	1,384	1,482
(6) Sundries	$U.S. billion	15.78	36.38	53.61	17.13	36.98	53.32
(7) Machinery A. General Machinery	$U.S. billion	26.68	54.6	77.0	27.75	59.67	87.13
B. Electric Machinery	$U.S. billion	23.26	58.97	83.97	25.44	64.07	95.0
C. Transport Machinery	$U.S. billion	21.74	25.87	44.2	23.21	46.97	59.73
a. Automobiles	1,000	4,222	5,270	5,760	5,289	8,450	10,080
b. Ship-Building	million DWT	4.3	4.9	6.6	10.6	20.9	28.2
D. Precision Machinery	$U.S. billion	3.27	6.47	9.23	3.68	7.3	20.63
(8) Forging & Casting	$U.S. billion	4.49	7.58	9.8	4.49	7.58	9.82
(9) Glass Panes	1,000 boxes	27,337	48,840	62,320	30,506	52,200	67,170
(10) Nonferrous Metals A. Copper	10,000 t	83	140	183	22	17	32
B. Lead	10,000 t	21	30	35	10	12	12
C. Zinc	10,000 t	62	134	199	31	41	48

t = tons

Source: Industrial Structure Council, 1974.

TABLE 16 B

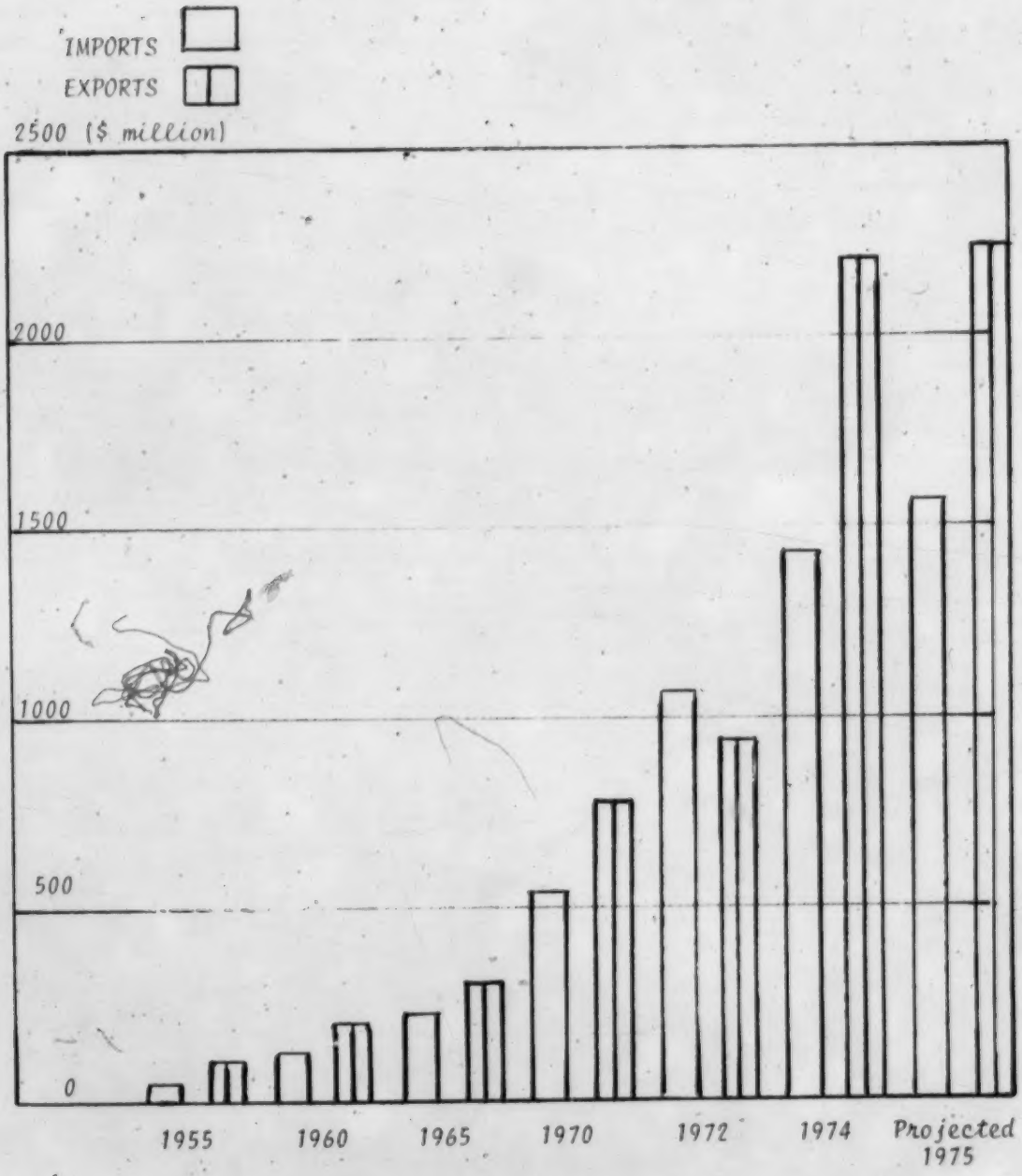
JAPAN'S INDUSTRIAL STRUCTURE IN 1985 SUPPLY-DEMAND OF MAJOR INDUSTRIES

INDUSTRY	UNIT	EXPORT			IMPORT		
		'70	'80	'85	'70	'80	'85
(1) Steel	million t	24.5	45.9	21.2-26.2	0.1	2.0	8.0
(2) Chemicals	$U.S. billion	1.62	4.43	8.33	1.3	3.17	5.1
Petrochemical	in ethylene equiv.	750.0	560.0	150.0	-	150.0	450.0
(3) Paper-Pulp	Paper: 1,000 t.	508.0	700.0	800.0	100.0	400.0	470.0
	Pulp 1,000 t.	12.0	50.0	50.0	914.0	3,000	4,400
(4) Aluminum Ingots	1,000 t.	5.0	0	0	198.0	600.0	1,700
(5) Textiles	1,000 t.	610.0	744.0	703.0	63.0	410.0	593.0
(6) Sundries	$U.S. billion	1.82	3.33	4.27	.46	2.73	4.56
(7) Machinery A. General Machinery	$U.S. billion	2.33	7.47	13.6	1.26	1.4	3.47
B. Electric Machinery	$U.S. billion	3.1	8.05	14.18	.91	2.95	5.15
CC. Transport Machinery	$U.S. billion	4.29	12.7	17.8	.61	1.6	2.27
a. Automobiles	1,000	1.087	3.280	4.490	20	100	170
b. Ship-building	million DWT	6.3	16.2	21.8	0.53	0.15	0.20
D. Precision Machinery	$U.S. billion	.82	1.67	2.63	.40	.83	1.23
(8) Forging & Casting	$U.S. billion	.001	.003	.004	.0002	.0003	.0006
(9) Glass Panels	1000 boxes	2.310	3.790	5.380	34	430	530
(10) Nonferrous Metals							
A. Copper	10,000 t.	-	-	-	65	113	151
B. Lead	10,000 t.	-	-	-	11	18	23
C. Zinc	10,000 t.	-	-	-	39	93	151

t = tons

Source: Industrial Structure Council, 1974.

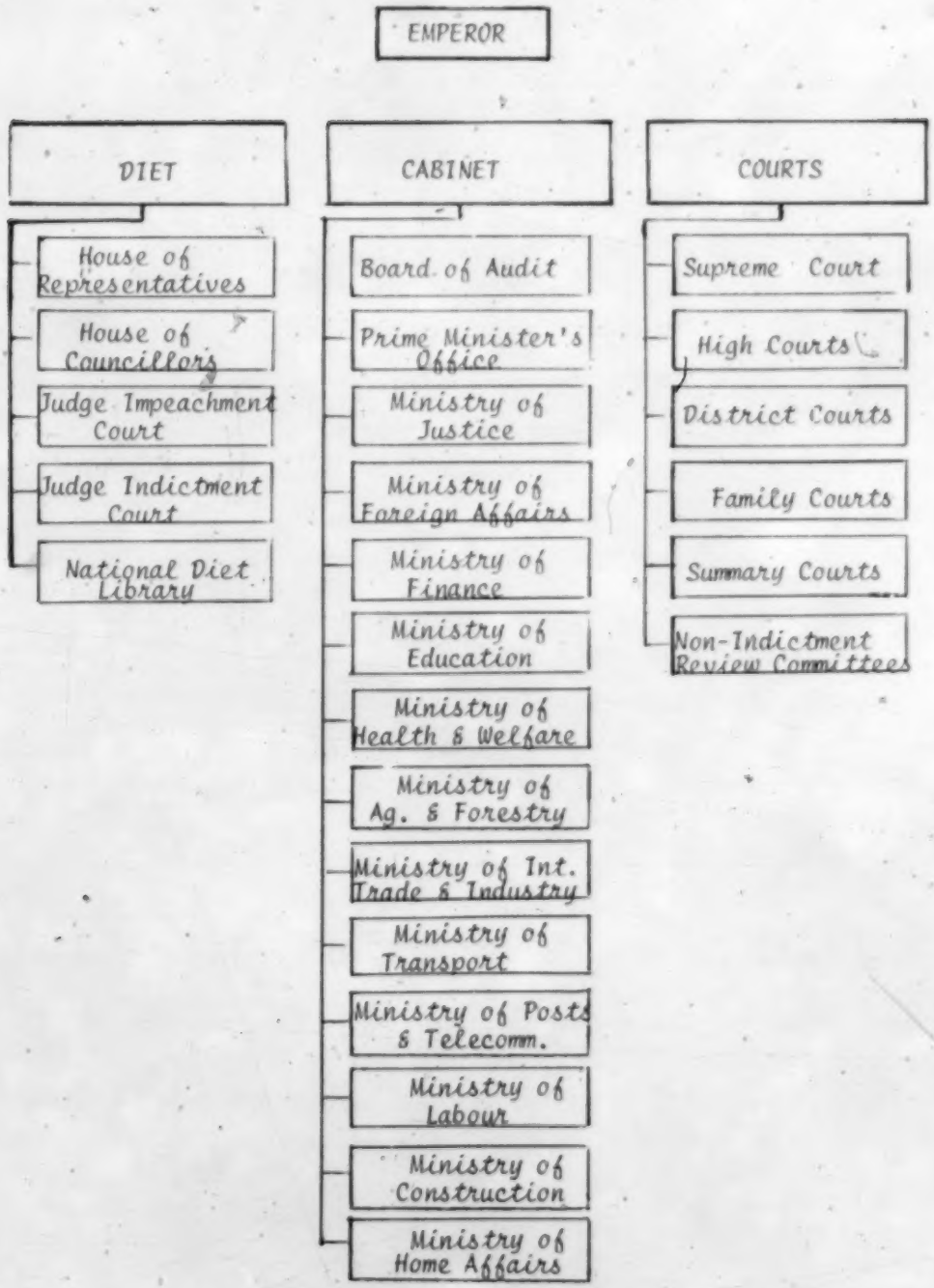
FIGURE 1
CANADIAN-JAPANESE TRADE 1955-1975



Source: Canada-Japan Trade Council (1975)

FIGURE 2

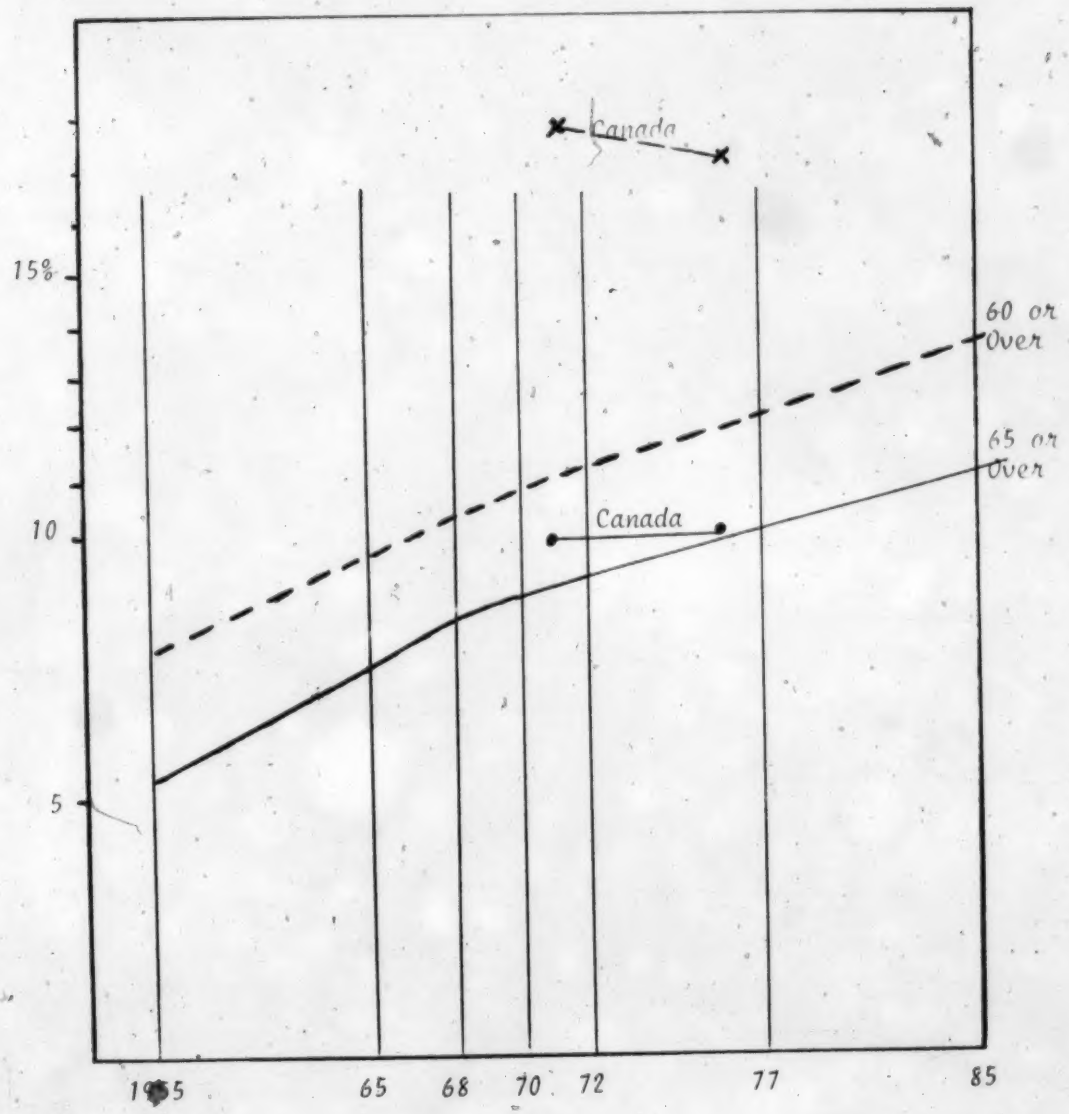
GOVERNMENT OF JAPAN



Source: Administrative Management Agency, Prime Ministers Office, Government of Japan.

FIGURE 3

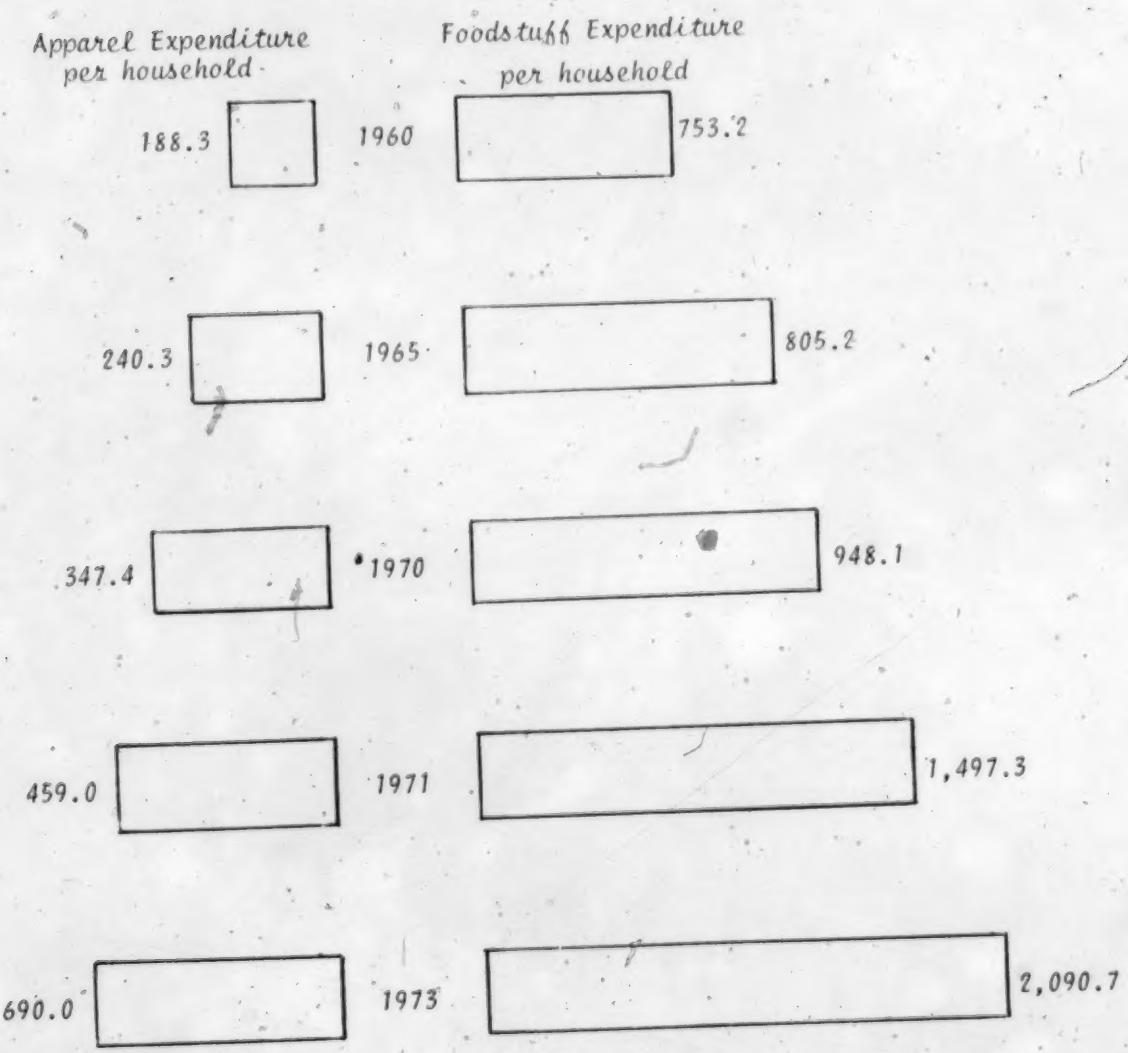
PERCENTAGE OF AGED IN JAPANESE POPULATION



Source: EPA, Basic Economic and Social Plan 1973-1977

FIGURE 4

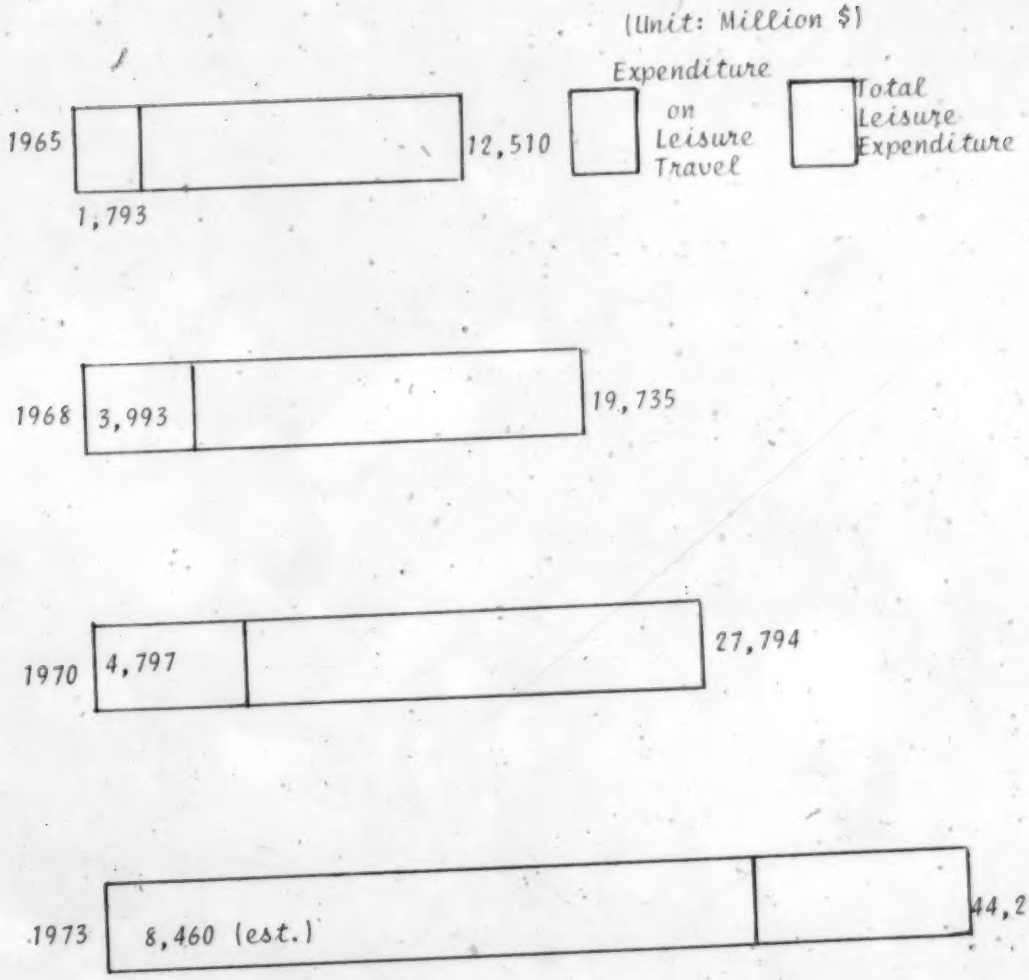
JAPANESE
HOUSEHOLD SPENDING ON APPAREL AND FOODSTUFFS
(Unit: $U.S.)



Source: Japan Economic Research Centre (JERC)

FIGURE 5

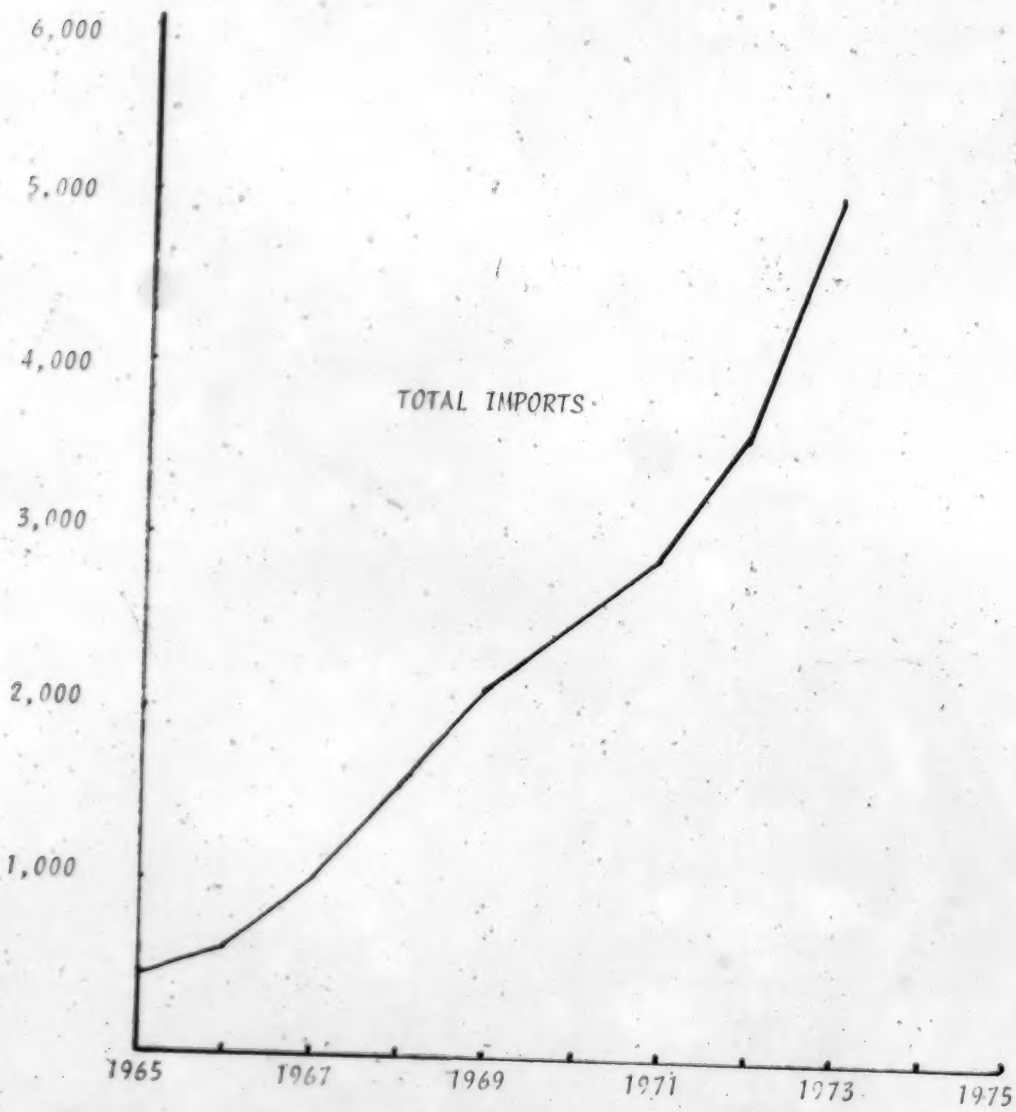
JAPANESE LEISURE EXPENDITURE



Source: JLDA, 1973

FIGURE 6

IMPORT OF FOODSTUFFS BY JAPAN

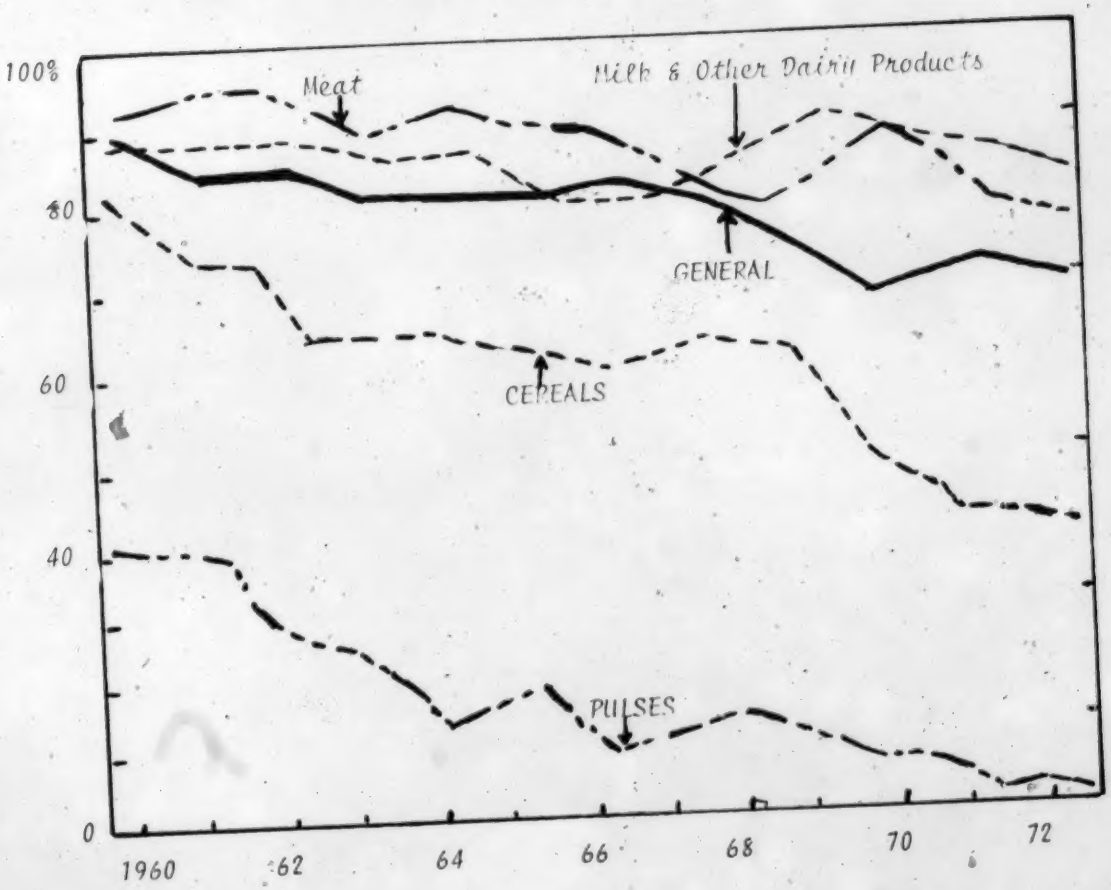


Source: Ministry of International Trade and Industry, 1972, and Statistical Handbook, 1975.

FIGURE 7

CHANGES IN SELF-SUFFICIENCY RATES

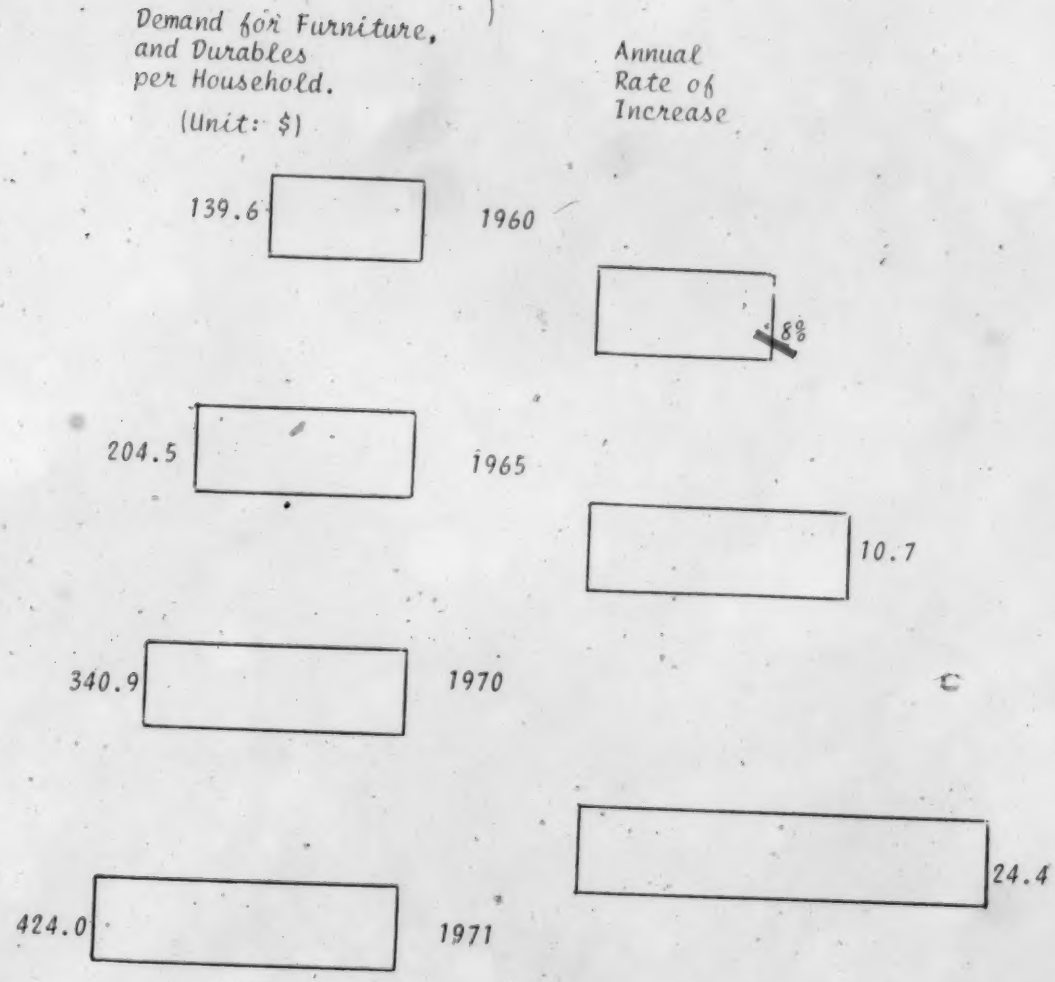
OF AGRICULTURAL FOODSTUFFS IN JAPAN



Source: Statistical Handbook, 1975

FIGURE 8

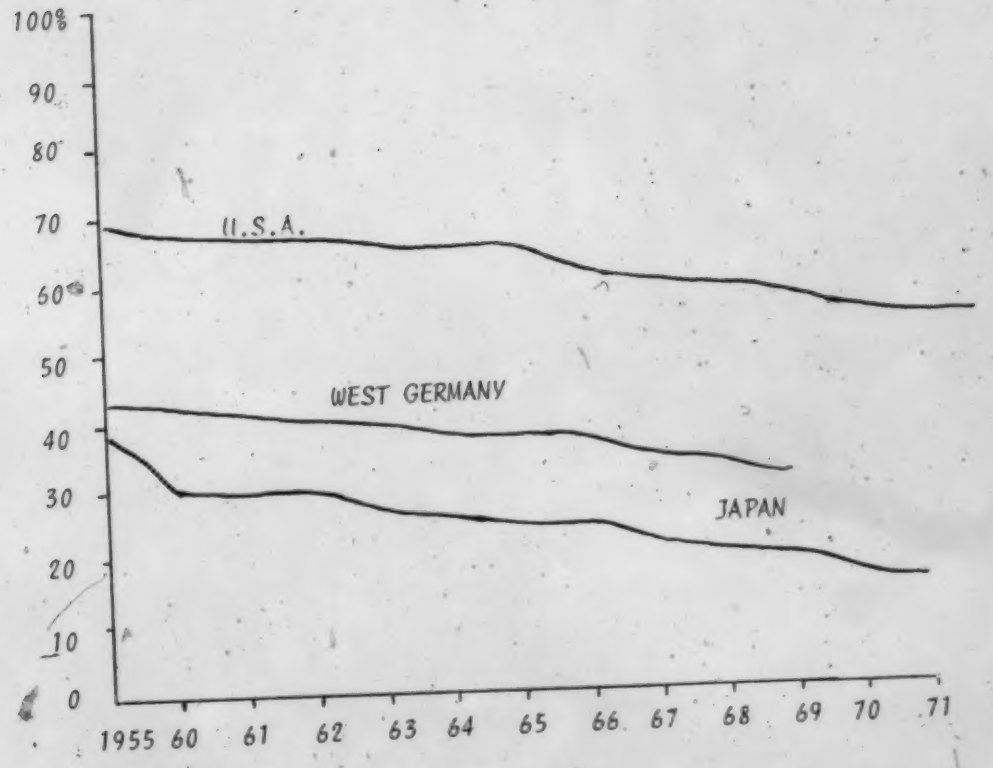
JAPANESE DEMAND FOR HOUSING FIXTURES



Source: Bank of Japan, International Comparison Statistics, 1973.

FIGURE 9

EQUITY/TOTAL ASSETS RATIOS OF MANUFACTURING INDUSTRIES IN JAPAN, U.S.A. AND WEST GERMANY

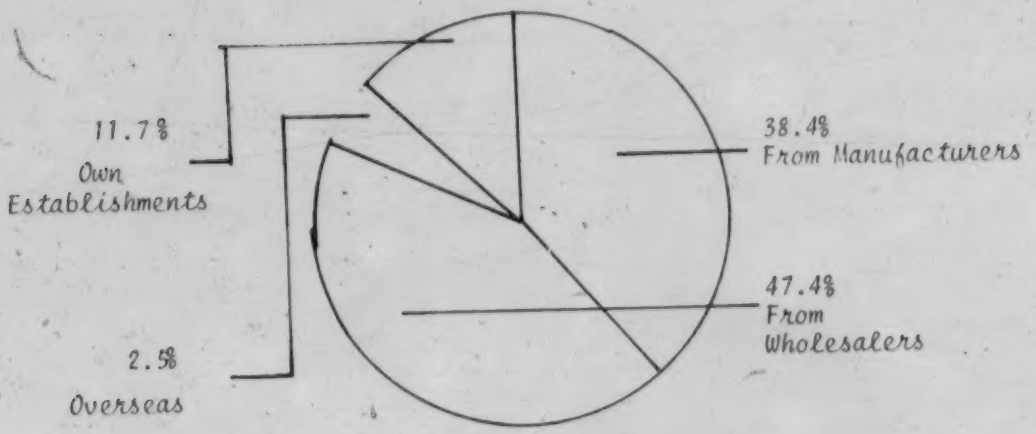


Source: Made from "Japan and the World (1972): A Comparison by Economic and Financial Statistics" published by The Bank of Japan.

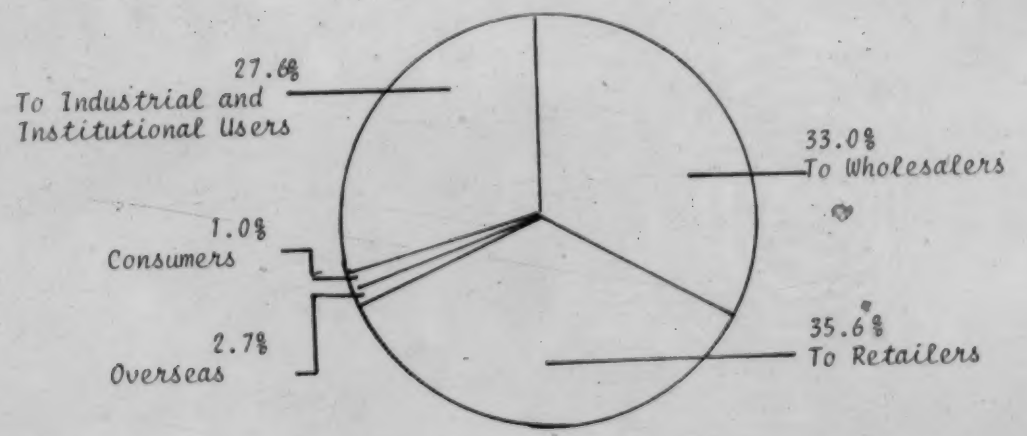
FIGURE 10

SOURCES OF PURCHASES OF WHOLESALERS

IN JAPAN



DESTINATIONS OF SALES OF WHOLESALERS

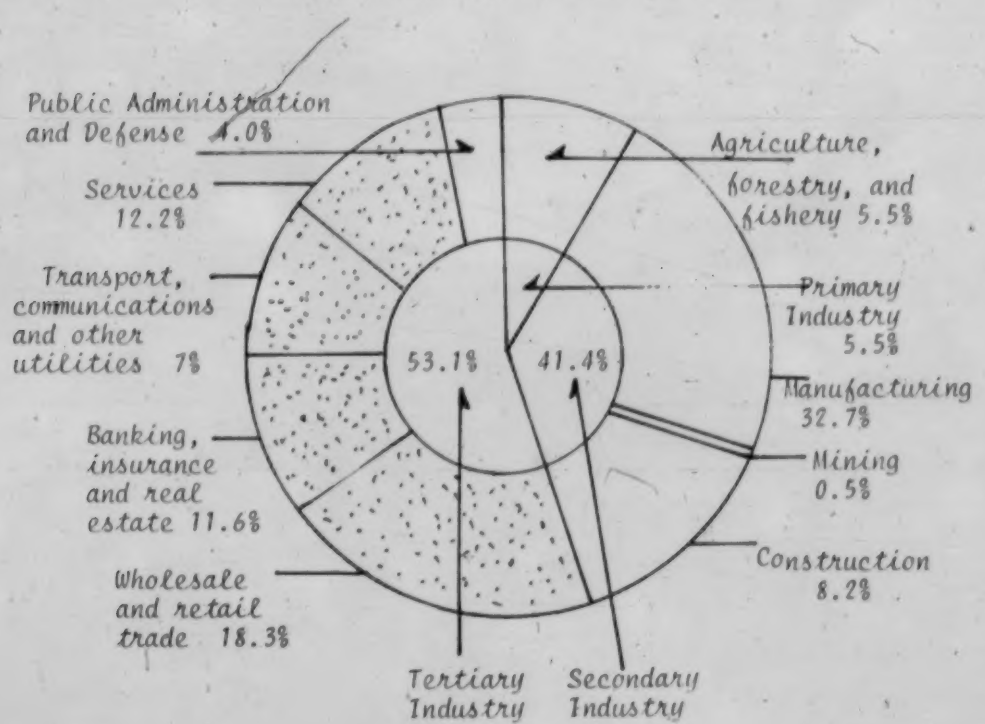


Source: The Ministry of International Trade and Industry, 'Distribution in the 1970's.'

FIGURE 11

COMPOSITION OF INDUSTRIAL ORIGIN OF

NET DOMESTIC PRODUCT FOR JAPAN (1973)

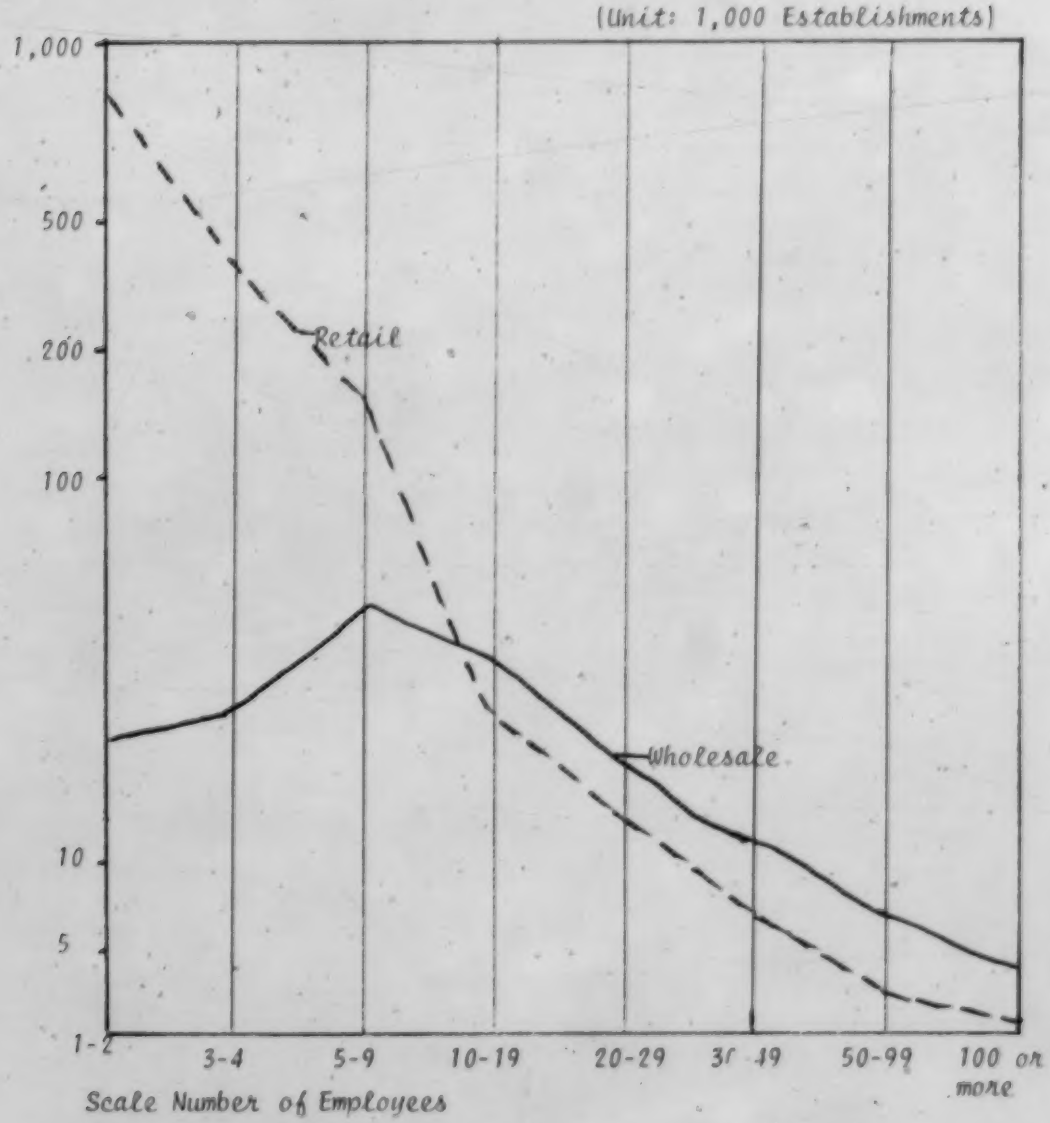


Source: Economic Planning Agency

FIGURE 12

NUMBER OF RETAIL-WHOLESALE ESTABLISHMENTS

IN JAPAN BY SCALE (1970)

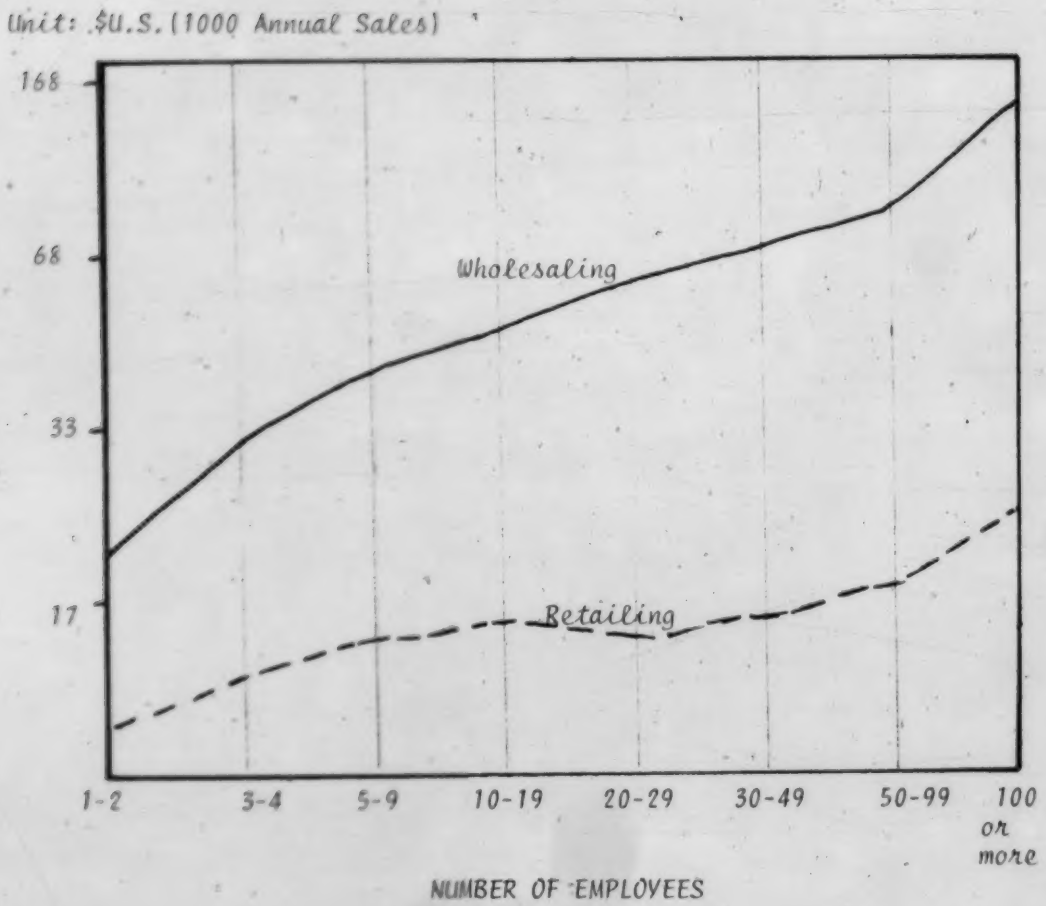


Source: The Ministry of International Trade and Industry, 'Commerce of Japan'.

FIGURE 13

SALES PER WORKER BY SIZE OF OUTLET

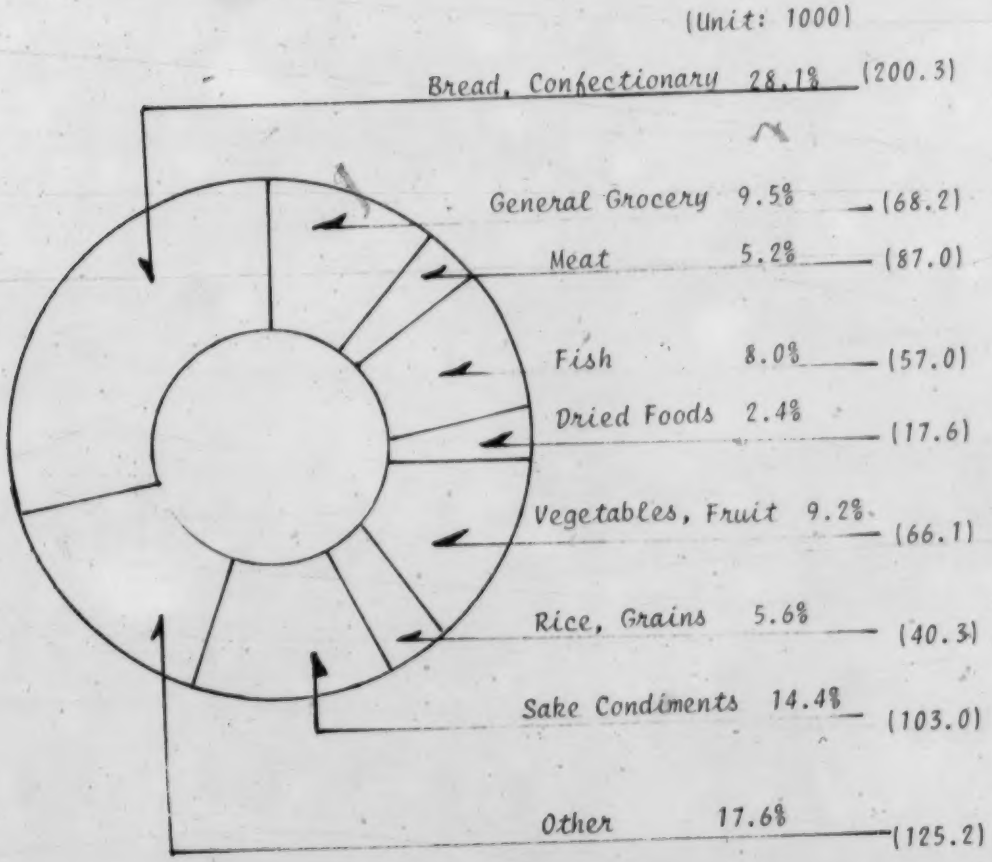
FOR JAPAN (1970)



Source: The Ministry of International Trade and Industry, 'Commerce of Japan'.

FIGURE 14

RETAIL STORES BY TYPE IN JAPAN (1970)

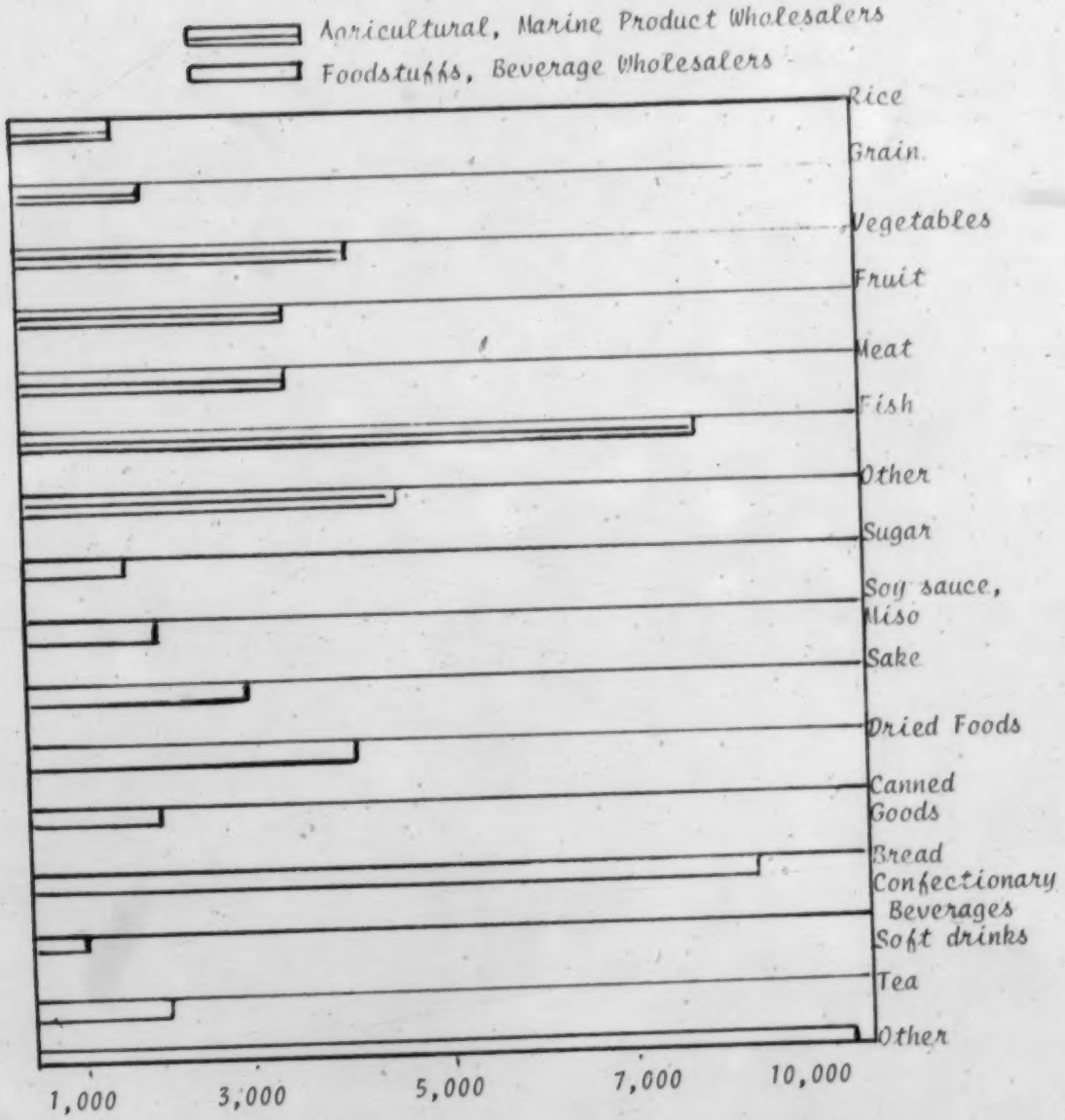


Source: The Ministry of International Trade and Industry, 'Commerce of Japan'.

FIGURE 15

JAPANESE WHOLESALE FOODSTUFF OUTLETS

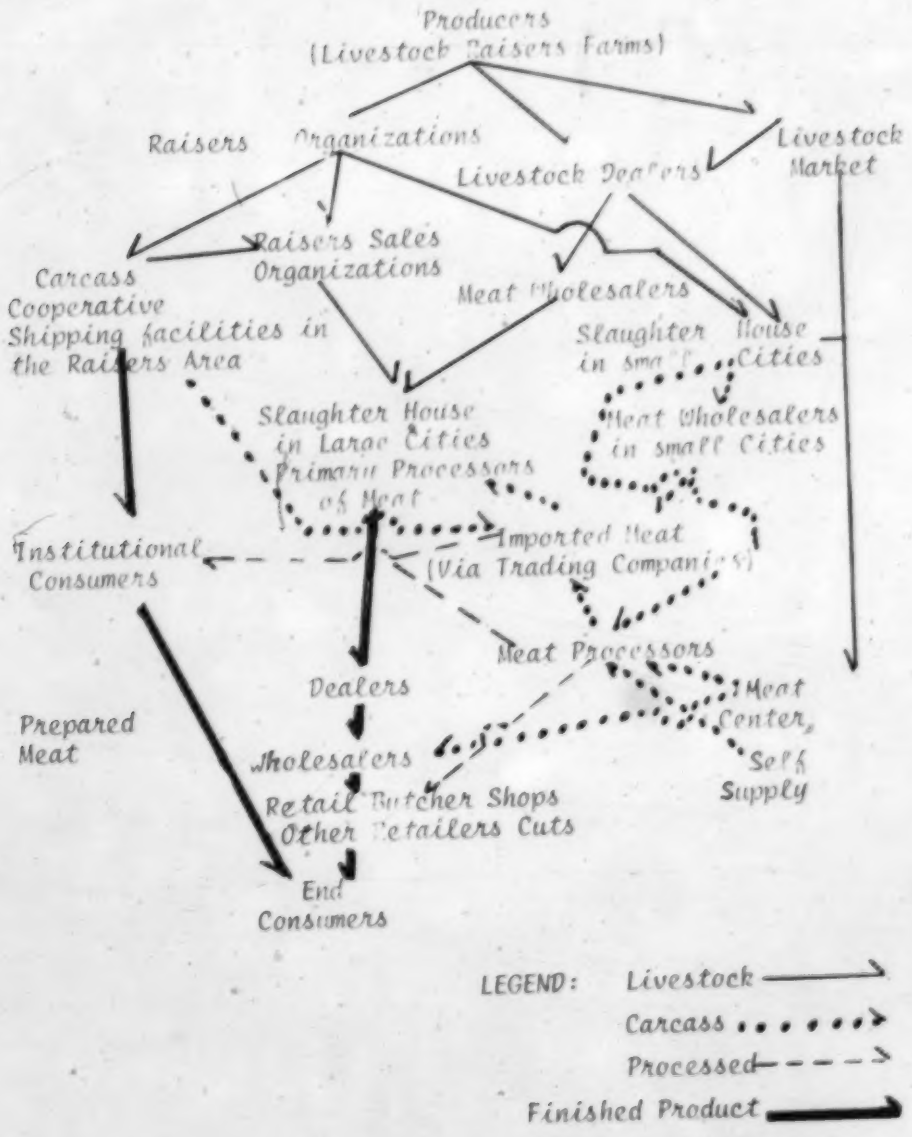
(Unit: Number)



Source: The Ministry of International Trade and Industry, 'Commerce of Japan'. (Waga Kuni no Shogyo), 1971.

FIGURE 16

MEAT DISTRIBUTION CHANNELS IN JAPAN

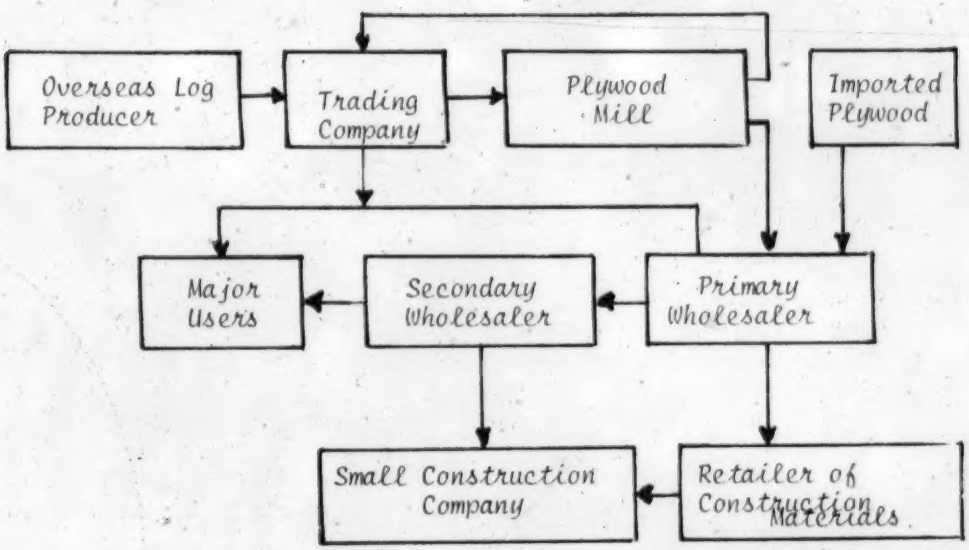


Source: Cold Chain Association, 'Foodstuffs Distribution. 1971', (Cold Chain Kyokai Shokuryohin no Ryutsu)

FIGURE 17

DISTRIBUTION CHANNELS FOR PLYWOOD

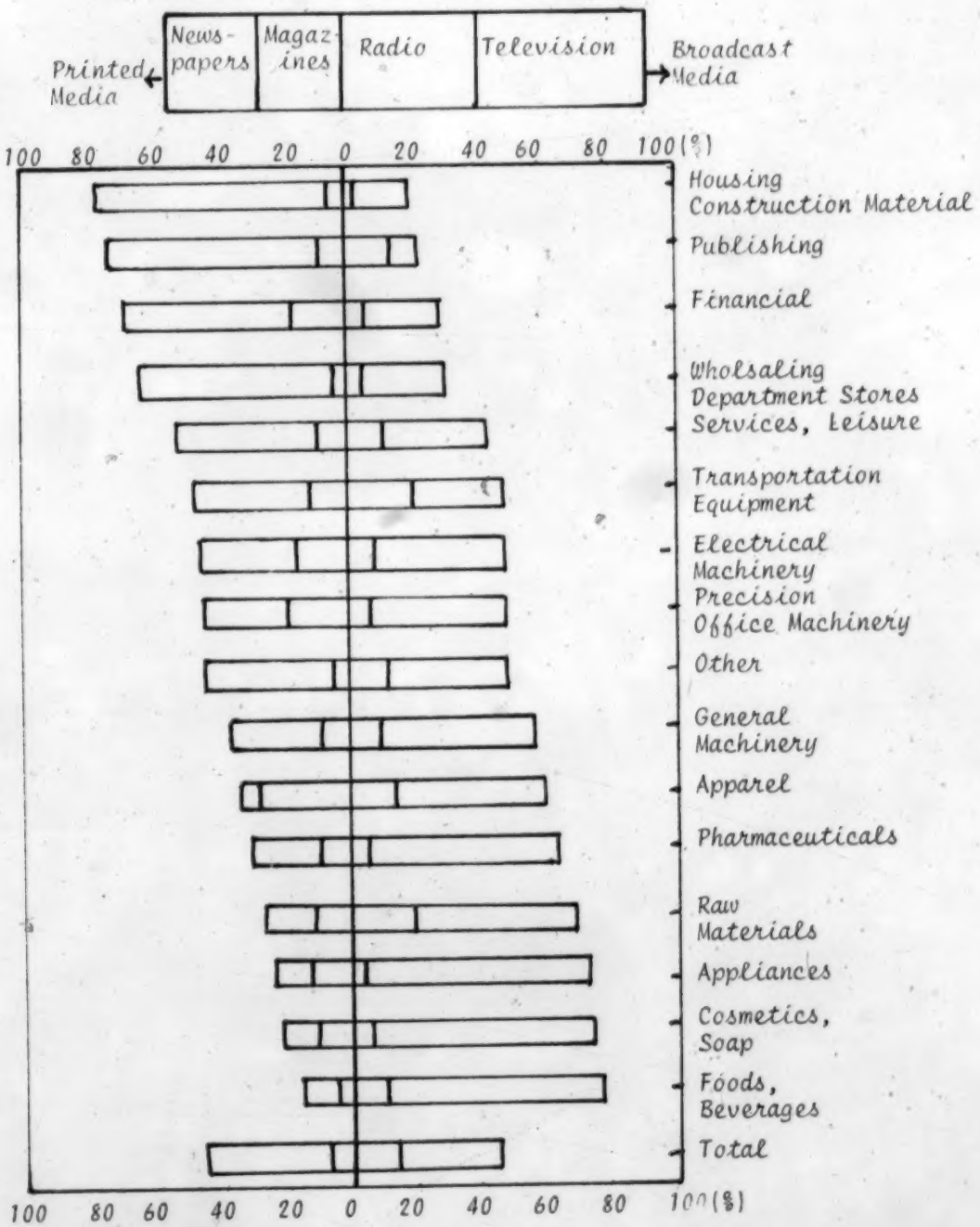
IN JAPAN



Source: Distribution Economics Research Institute, 'Distribution Channels', 1970.

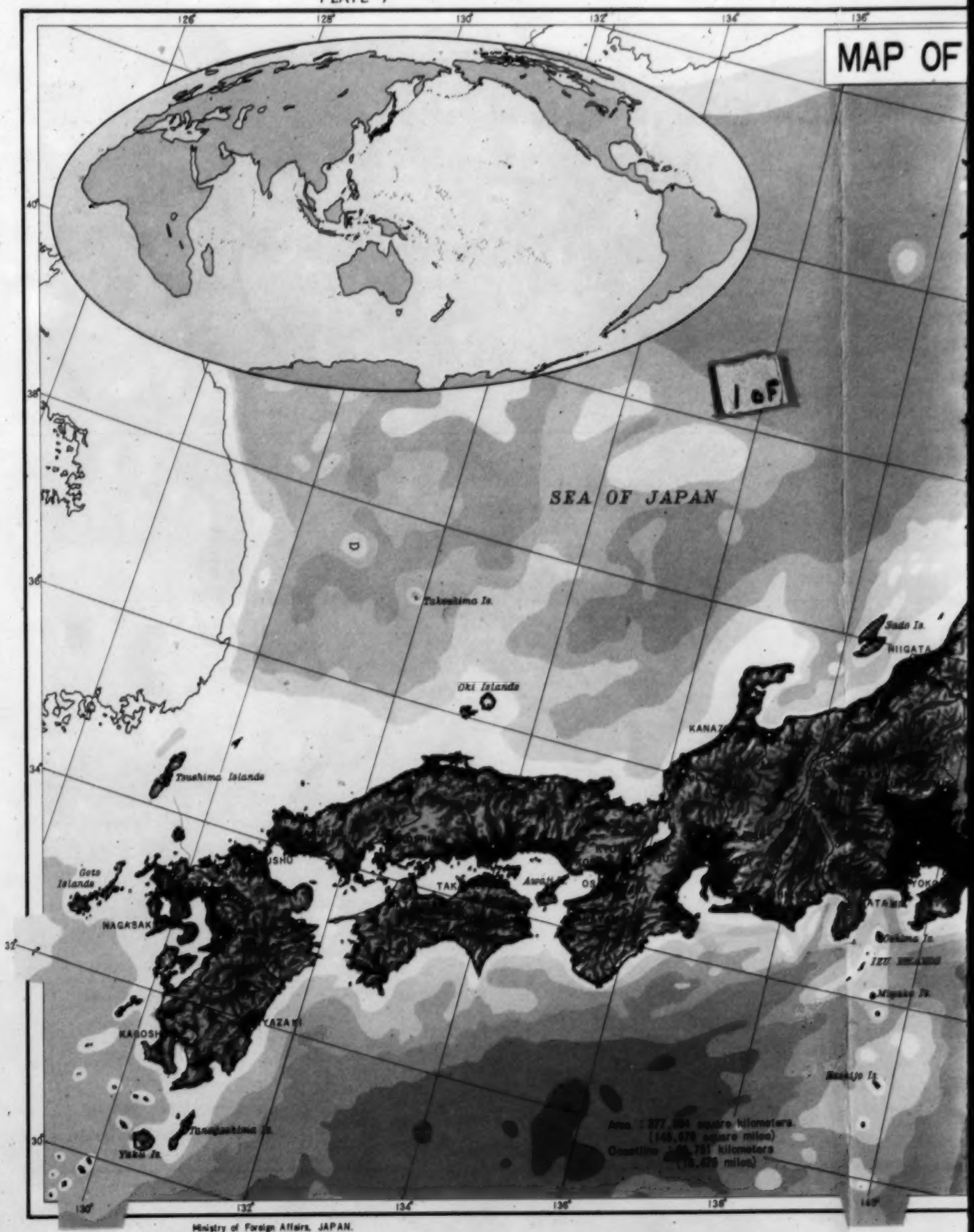
FIGURE 18

EXPENDITURE BY INDUSTRY AND FOUR MAJOR MEDIA IN JAPAN

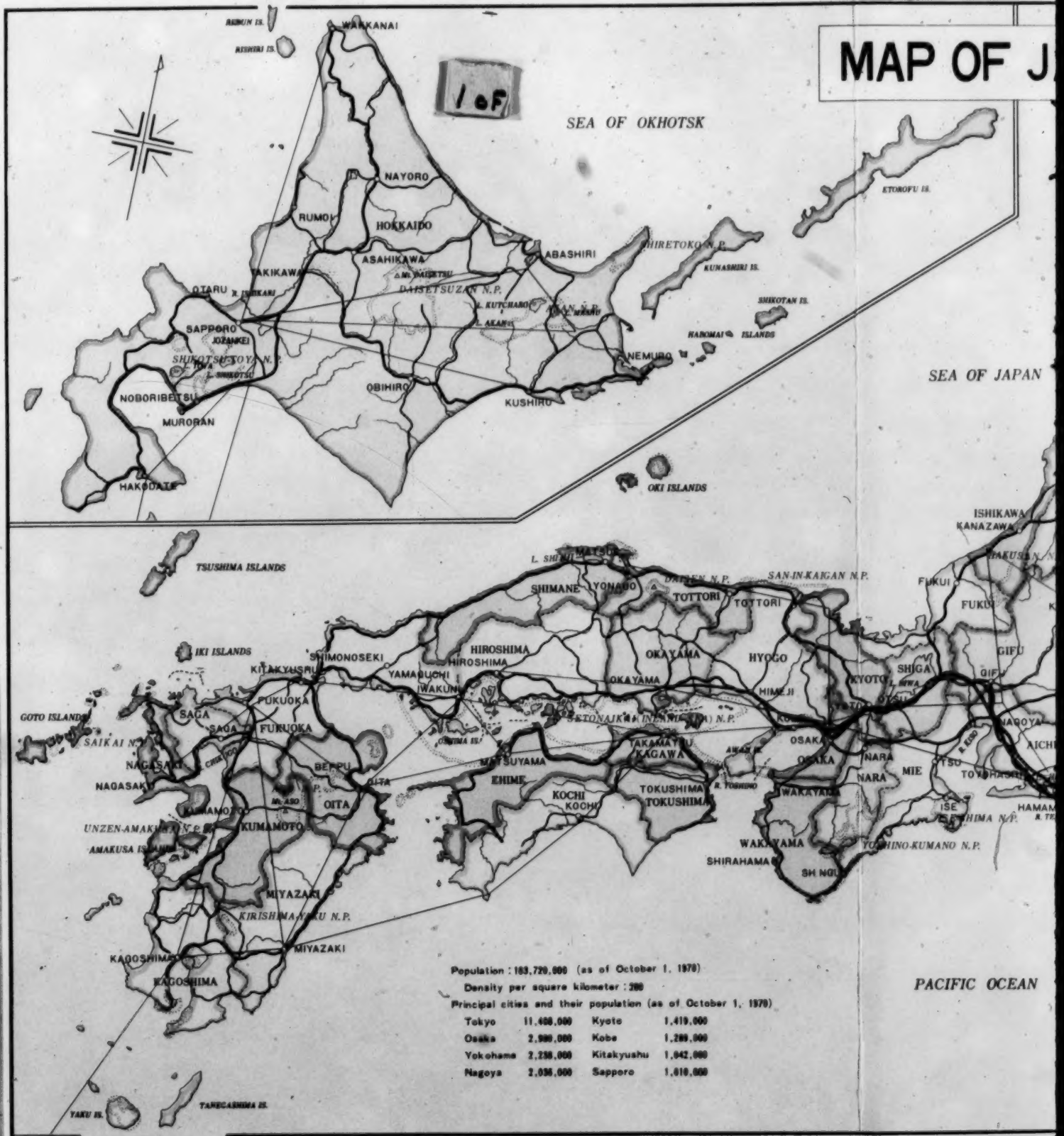


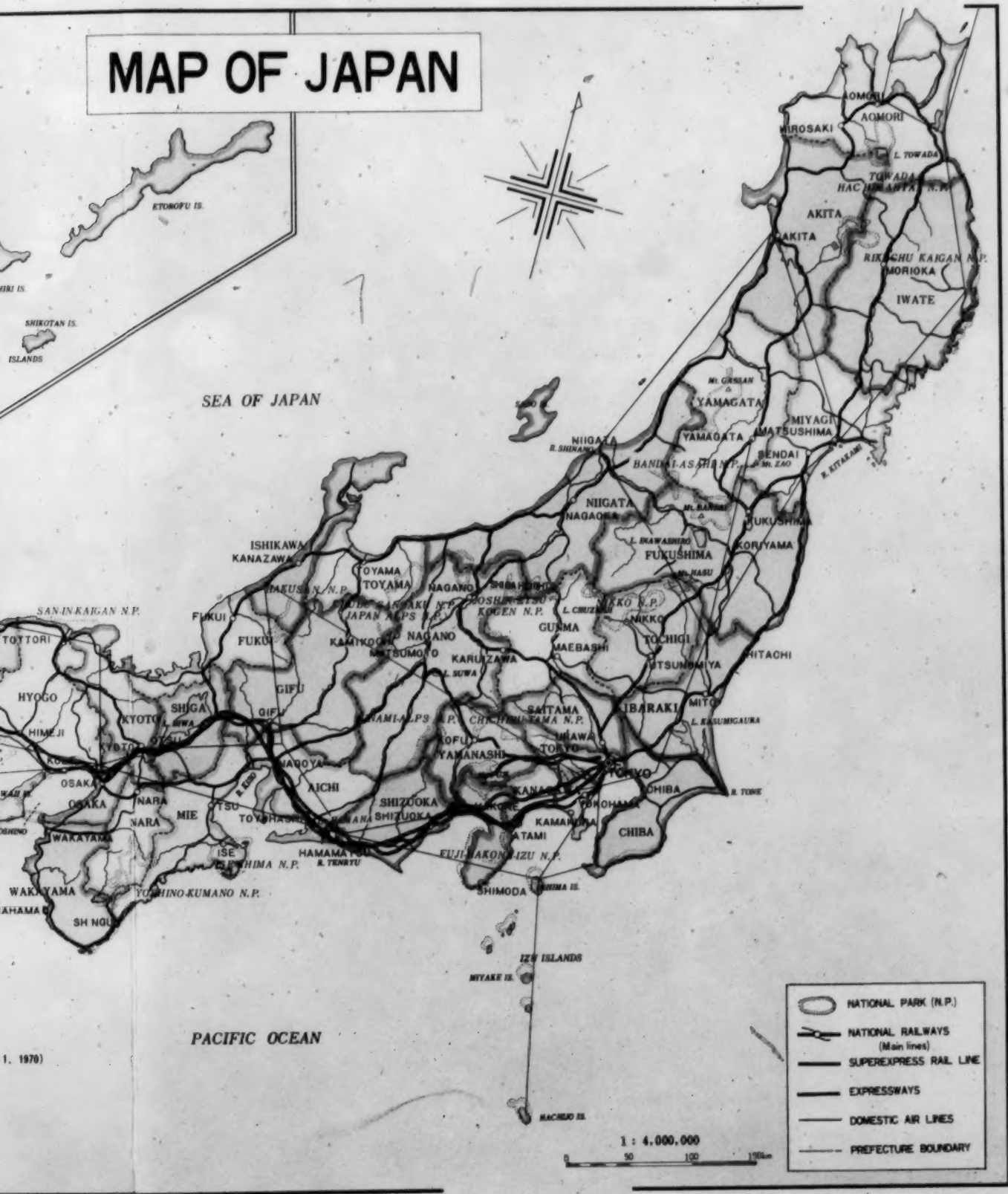
Source: Dentsu Advertising, Ltd.

PLATE 1


MAP OF
1 of
SEA OF JAPAN
Takeshima Is.
Oki Islands
Tsushima Islands
Goto Islands
Sado Is.
NIIGATA
NAGASAKI
KAGOSHIMA
Area : 377,864 square kilometers
(145,870 square miles)
Ministry of Foreign Affairs, JAPAN.

Printed in Japan. 1972


MAP OF J
1 of
SEA OF OKHOTSK
SEA OF JAPAN
PACIFIC OCEAN
WAKKANAI
RUMOI
NAYORO
HOKKAIDO
ASAHIKAWA
ABASHIRI
TAKIKAWA
OTARU
SAPPORO
DAISETSUZAN N.P.
SHIRETOKO N.P.
KUNASHIRI IS.
ETOROFU IS.
SHIKOTAN IS.
HABOMAI ISLANDS
NEMURO
OBIHIRO
KUSHIRO
NOBORIBETSU
MURORAN
HAKODATE
OKI ISLANDS
TSUSHIMA ISLANDS
IKI ISLANDS
GOTO ISLANDS
SHIMONOSEKI
KITAKYUSHU
FUKUOKA
SAGA
NAGASAKI
BEPPU
OITA
KUMAMOTO
MIYAZAKI
KAGOSHIMA
YAKU IS.
TANEGASHIMA IS.
SHIMANE
TOTTORI
HIROSHIMA
OKAYAMA
YAMAGUCHI
IWAKUNI
HYOGO
HIMEJI
MATSUYAMA
EHIME
KOCHI
TOKUSHIMA
KAGAWA
OSAKA
NARA
MIE
WAKAYAMA
SHIRAHAMA
KYOTO
SHIGA
FUKUI
ISHIKAWA
KANAZAWA
GIFU
NAGOYA
AICHI
ISE
SAN-IN-KAIGAN N.P.
YOSHINO-KUMANO N.P.
Population : 103,720,000 (as of October 1, 1970)
Density per square kilometer : 280
Principal cities and their population (as of October 1, 1970)
Tokyo 11,408,000 Kyoto 1,419,000
Osaka 2,980,000 Kobe 1,288,000
Yokohama 2,238,000 Kitakyushu 1,042,000
Nagoya 2,036,000 Sapporo 1,010,000


MAP OF JAPAN
ETOROFU IS.
SHIKOTAN IS.
ISLANDS
SEA OF JAPAN
AOMORI
HIROSAKI
AOMORI
L. TOWADA
AKITA
AKITA
RIKUCHU KAIGAN N.P.
MORIOKA
IWATE
YAMAGATA
MIYAGI
MATSUSHIMA
NIIGATA
YAMAGATA
SENDAI
NIIGATA
NAGAOKA
FUKUSHIMA
KORIYAMA
FUKUSHIMA
ISHIKAWA
KANAZAWA
TOYAMA
TOYAMA
NAGANO
SAN-IN KAIGAN N.P.
FUKUI
FUKUI
TOTTORI
NAGANO
KAMIKOCHI
MATSUMOTO
KARUIZAWA
GUNMA
MAEBASHI
TOCHIGI
UTSUNOMIYA
HITACHI
HYOGO
SHIGA
GIFU
GIFU
SAITAMA
IBARAKI
MITO
HIMEJI
KYOTO
KOFU
YAMANASHI
TOKYO
NAGOYA
OSAKA
AICHI
SHIZUOKA
CHIBA
OSAKA
NARA
MIE
NARA
WAKAYAMA
ISE
HAMAMATSU
KAMAKURA
ATAMI
CHIBA
SHIMODA
IZU ISLANDS
MIYAKE IS.
HACHIJO IS.
PACIFIC OCEAN
NATIONAL PARK (N.P.)
NATIONAL RAILWAYS
(Main lines)
SUPEREXPRESS RAIL LINE
EXPRESSWAYS
DOMESTIC AIR LINES
PREFECTURE BOUNDARY
1 : 4,000,000
0
50
100
150km

1, 1970)

2 of 2

FOOTNOTES

[1]Canada-Japan Trade Council, Canada-Japan. The Export-Import Picture. 1975 (Ottawa: Canada-Japan Trade Council, 1974), p. 3.

[2]Statistics Canada,"Domestic Exports By Country, Commodity Category and Province of Lading," Exports By Countries (Ottawa: Statistics Canada, January-September, 1975), p.208.

[3]Ibid., p.204.

[4]"Capital Investment in Canbra Foods," Nissho-Iwai Monthly Review 60 (December 1975): 2.

[5]Statistics Canada, Exports By Countries, p.204-08.

[6]Bureau of Statistics, Statistical Handbook of Japan. (Tokyo: Kyodo Printing Co.,Ltd., July, 1975), p.9.

[7]Ibid., p.18.

[8]Ibid., p. 13.

[9]Administrative Management Agency, Table of Organization of The Government of Japan,(Tokyo: Printing Bureau, Ministry of Finance, January, 1975), p.2.

[10]Ministry of International Trade and Industry, MITI Handbook, (Tokyo: Japan Trade and Industry Publicity, Inc., 1975), p.xii-iv.

[11]Bureau of Statistics, Statistical Handbook of Japan,p.146.

[12]Ibid., p. 109.

[13]Ibid., p. 110.

[14]Ibid., p. 115.

[15]Ibid., p. 117.

[16]Ibid., p. 120.

[17]Ibid., p. 121.

[18]Ibid., p. 104.

[19]Japan External Trade Organization, The Japanese Market In Figures, "A Handbook of Basic Marketing Information", Jetro Series 10 (Tokyo: Jetro, February, 1974), p.38.

[20]Jetro, "The Environmental Situation Today," Now in Japan, No. 12 (Tokyo: Jetro, May, 1974), p. 4-5.

[21]Ibid., p. 25.

[22]The Mainichi Newspapers, How To Succeed In Japan. A Guide for Foreign Businessmen, (Tokyo: Jetro, 1974). p. 117.

[23]Bank of Tokyo, Financial System of Japan, (Tokyo: Bank of Tokyo, Ltd., October, 1972), p. 26.

[24]The Mainichi Newspapers, How To Succeed In Japan, p. 117.

[25]Ibid., p. 128.

[26]Jetro, Using Trading Companies In Exporting To Japan, Jetro Series 2, p. 3.

[27]Judith Ann Gehrke and M. Edgar Barrett, "Significant Differences between Japanese and American Business," MSU Business Topics, (Michigan: Dickinson Brothers, Inc., 1974), p. 44.

[28]Japan Air Lines, "Parlez-Vous Japanese?", (Tokyo: Japan Air Lines, 1974), p. 20.

[29]Howard F. Van Zandt, "How To Negotiate in Japan," Harvard Business Review, (boston, Mass: Reprint Service, November-December, 1970), p. 47.

[30]Jetro, Planning For Distribution In Japan, Jetro Series 4, p. 1-80.

[31]Ibid., p. 9.

[32]Bruce E. Mallen, Marketing in the Canadian Environment, (Scarborough, Ontario: Prentice-Hall of Canada, Ltd., 1973), p. 201 and 233.

[33]Jetro, Planning For Distribution in Japan, Series 4, p. 10.

[34]Ibid., p. 60.

[35]Jetro, Sales Promotion In The Japanese Market, Series 7, (Tokyo: Jetro, February, 1973), p. 5.

[36]Thor S. Johnson, "Look Before You Leap," How To Succeed In Japan, (Tokyo: Jetro, 1974), p. 155-66.

[37]Bureau of Statistics, Statistical Handbook of Japan, p. 82.

[38]Bank of Tokyo, "Selected Economic Indicators," Weekly Review, Vol. XXX, No. 4, Table Insert.

[39]Jetro, Focus Japan, (Tokyo: Jetro, December, 1975), p. 11.

[40]Jetro, The Japanese Market In Figures, Series 10, p. 29.

[41]Canada-Japan Trade Council, "Agri-Power and The Politics of Food Supply," Newsletter, (Ottawa, Canada: February, 1976), p. 2-3.

[42]Jetro, Focus Japan, (Tokyo: Jetro, March, 1975), Vol. 2, No. 3, p. 5.

[43]Jetro, Focus Japan, (Tokyo: Jetro, December, 1974), Vol. 1, No. 8, p. 5.

[44]Ibid., p. 7.

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